

# Accountancy

ESTABLISHED 1889

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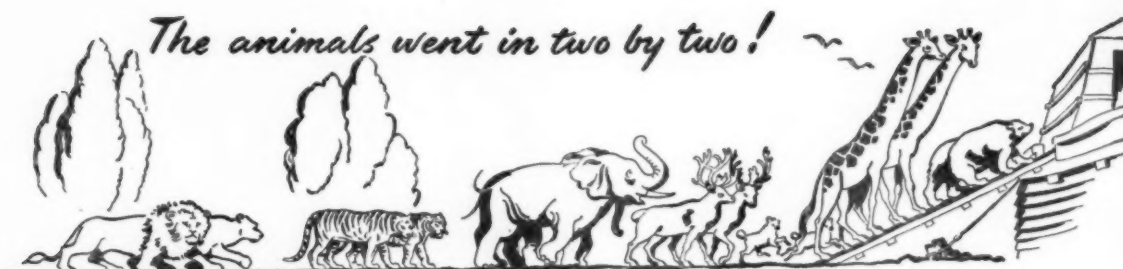
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AUGUST 1949



ONE SHILLING



No wonder Noah cheered! His job was relatively simple — to check the approved pairs and keep an eye on would-be gate-crashers. Nevertheless, since not even elementary mathematics were then taught in the schools, the old gentleman's counting capacity was strictly limited. One can imagine his agitation when the Local Authority demanded a detailed return of the whole proceedings. How *could* he be sure that his grand total really was "grand", or that his classifications and sub-heads were strictly accurate?

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# Accountancy

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## Professional Notes

### Crisis Adjourned

THE EARLY PANIC OF THE "DOLLAR CRISIS" HAS SOON GIVEN WAY TO CUSTOMARY complacency. Having decided to cut imports from the dollar area by 25 per cent., to give a saving of \$400 million a year—but with a notable lack of details on how such a total saving can in fact be made—the Government exhorted the Dominions and Colonies to do likewise and then adjourned the crisis until after the summer holidays. So in September there will be talks with the United States on the "long-period" problem. Meanwhile, the gold and dollar deficit runs at the rate of at least £600 million a year, of which part is the deficit of this country and part represents "unrequited exports," or dollars paid without return to sterling area and other countries.

Now that the reserve of gold and dollars in the sterling area pool is down to £400 million worth, barely sufficient for working balances, the Dominions and Colonies are clearly becoming restive about the future of these arrangements, whereby all net dollar receipts are pooled and all net dollar requirements met from the common fund. This country, for its part, is disturbed at the drain upon the pool from most of the Dominions and Colonies. Yet the sterling area plan remains an inseparable part of the economic nexus between Commonwealth countries.

It seems out of the question that the sterling area as a whole can succeed in cutting dollar imports, mostly essential supplies, by 25 per cent. Indeed, it seems very unlikely that even the United Kingdom will succeed in this. Yet even if the full cut were made by all sterling area countries a dollar deficit would remain.

A great deal of nonsense is talked about prohibitive tariffs in the United States keeping out British goods. In fact, that country is more liberal in its trading policy now than it has been for a very long time. Not American tariffs but British costs are mainly to blame for the fall in our exports to the United States. The American business man's expectation that the pound will be devalued sooner rather than later is also a factor and another, but much less important one, is the moderate recession in the United States. Let it not be forgotten, however, that the total of exports from this country to the United States in 1948 was only £66 million and in 1938 only £25 million. A really large proportionate expansion in our sales to the United States, though a valuable help, would go only a little way towards closing the dollar gap. Even a large expansion in exports to the Western Hemisphere, which may be linked with the United States for this purpose, would be far from sufficient to close it. What is needed is an expansion of the trade of other non-American countries as a whole with the Western Hemisphere, so that their dollar earnings would both relieve their drain upon our almost non-existent dollar supplies and would enable them to pay in dollars for our export balances to them.

### Mr. A. A. Garrett

The many friends of Mr. A. A. Garrett in the accountancy world will be delighted to know that the Council of the Society of Incorporated Accountants at a meeting on July 19, 1949, elected him an Honorary Member of the Society. This is an honour which the Society has granted to very few, but because of the excellent services Mr. Garrett has rendered it over a long period of years there is no doubt that all will agree it is an honour he greatly deserves.

Mr. Garrett is going to Australia shortly to represent the Society at the Australian Congress on Accounting,



and on his return at the end of this year he will be retiring from the position of secretary which he has held with distinction and credit for thirty years.

### Traders' Margins

We commented last month on the report of the Committee on Resale Price Maintenance (page 170). Some data in the report supplied by the National Institute of Economic and Social Research is of particular interest to accountants, even though it refers to 1938. Approximate average gross margins earned by retailers and wholesalers are given as set out:

| Class of Article                                   | Retailers' gross margin as percentage of retail sales (Retailers purchasing through wholesalers) | Wholesalers' gross margin as percentage of wholesale sales |
|--|--|--|
| Stationery, ink, pens and pencils                  | 34   | 25   |
| Chocolates and sweets .. ..                        | 34   | 12   |
| Pottery, glassware, hollow-ware and ironmongery .. | 32   | 25   |
| Electrical goods ..                                | 30   | 17   |
| Newspapers and periodicals ..                      | 28   | 13   |
| Chemists' goods ..                                 | 28   | 15   |
| Cigarettes and tobacco ..                          | 16   | 5  |
| Groceries, provisions and household stores ..      | 15   | 7  |

### New Procedure for Purchase Tax Disputes

When there is a dispute between the Commissioners of Customs and Excise and a registered trader on the liability to purchase tax for particular goods, a new procedure provides that a joint case may be submitted to independent counsel for an opinion. The counsel will be selected by the two parties from a panel nominated by the Attorney-General (in Scotland by the Lord Advocate, and in Northern Ireland by the Attorney-General for Northern Ireland). Counsel's fees will be shared equally by the Commissioners and the trader.

By this procedure an inexpensive, informal and speedy means is afforded for obtaining an independent and authoritative opinion on the interpretation of the purchase tax schedule, or on the rate of tax applicable. The procedure can be invoked, however,

only if the trader agrees and if the Commissioners are satisfied that the dispute does not involve a substantial amount of revenue or a point of principle. It will not apply when the dispute is on the question of value, for which an arbitration procedure is already provided by Section 21 of the Finance (No. 2) Act, 1940. Nor will it affect:

- (1) applications for relief from purchase tax that can be granted only by amendment of the statutory schedule; or
- (2) the present practice of the Commissioners in obtaining advice from specialist trade associations on technical aspects of the interpretation of the tax schedule.

The new arrangement is an experiment devised following representations to the Chancellor by the national business associations. It seems to be a common-sense arrangement which should prove to be to everybody's advantage. If so, it will no doubt endure as long as the purchase tax itself. Its value appears to be rather unreasonably restricted, however, by the exclusion of disputes where a substantial amount may be involved. Surely the procedure is either good or bad, regardless of whether a moderate or large amount of tax is in question. The authorities should have had the courage not to have stipulated this exclusion.

### Bonus Issue Philosophy

There seems to be something of a rush to make issues of bonus shares and a cautionary word about when they are appropriate is in place. The remarks made on this subject by Sir Wm. Crawford Currie, chairman of the Peninsular and Orient Line, in his address to shareholders, are therefore welcome. He turned down the suggestion of a bonus issue for his company mainly on the ground that the price of ships might conceivably fall so far that the Board would have no option but to seek a writing-down of the capital as increased by such an issue.

A bonus issue has merit if it brings the nominal capital into a closer relationship with the value of the assets it represents. But there then arise the difficult questions: "What meaning should be attached to 'value'?" Should the current balance sheet valuation

be taken? Or a figure based on earning power? If so, what rate of earnings is to be postulated as a reasonable basis? Further, is present value, however determined, in question or the probable value over some future period?"

In stimulating consideration of points like these and in providing a general warning against the indiscriminate granting of bonus issues on the basis of values and profits at the peak of an inflation, Sir William's statement is apt. It appears a little surprising, nevertheless, that the warning is held to apply to a company which has reserves and provisions, excluding tax reserve, of some £66 million, against fixed assets of a written-down value of some £78 million and net current assets approaching £17 million. A bonus of 100 per cent. on the deferred capital would call for £4½ million odd and would reduce the dividend to 8 per cent., on the supposition that the total cash distribution were maintained. No doubt Sir William's caution is explained by the very high cost of replacement, his fears of a fall in values and his determination to finance replacements out of the group's own resources.

**Nationalisation of Road Haulage**  
The chairman of the British Transport Commission, Sir Cyril Hurcomb, said recently that the acquisition by the Commission of road hauliers by voluntary agreement was practically completed, at a compensation total of nearly £25 million.

Compulsory acquisitions were being made as quickly as possible and a very large number of notices had been sent out to hauliers affected. The intention was that hauliers should receive an early payment on account and that the small man—that is, the haulier to whom less than £20,000 in all would be payable—should receive £2,000 promptly in cash. But since the Act allowed payments on account only in relation to provisional ascertainties of compensation and since there were difficulties in issuing stock at times other than the half-yearly interest dates, there had been inevitable delays in making payments on account. However, the Commission had now speeded up the machinery by offering to all small men who might otherwise be faced with hardship, an immediate payment on their cash option, and to



those who were to receive stock, amounts of stock at intervals of approximately one month in place of six months.

The Commission had built up a widely spread organisation of valuers, accountants and lawyers to hasten provisional ascertainment. It had gone to the limits of prudence in devolving responsibility and authority in the making of these settlements."

Sir Cyril invited hauliers and their professional advisers to co-operate by providing details of assets and by submitting accounts, so that provisional ascertainment could be made quickly. These ascertainment would not prejudice the ultimate amount of compensation but would be largely a device to allow of prompt payments on account.

#### Accountants' Certificates for Solicitors

The President of the Law Society has appealed to members to obtain their accountants' certificates directly the accounts have been made up and then to lodge them at once with the Law Society. Accountants' certificates need not be sent in at the same time as applications are submitted for the issue of annual practising certificates, but many solicitors lodge them together, thus making much additional work for the staff of the Law Society. The President stated that for the year 1946-47 about 12,000 accountants' certificates were lodged. But less than 4,900 had been received by the end of October last so that a very large number had to be dealt with during the first fortnight of November—when annual practising certificates are issued—or soon afterwards.

#### Institute of Municipal Treasurers

At the recent Conference of the Institute of Municipal Treasurers held at Eastbourne (see ACCOUNTANCY for July, page 171), Mr. James Scougal, F.S.A.A., Borough Treasurer, Beckenham, was invested as President for the coming year. The new Vice-President is Mr. William Adams, F.S.A.A., Borough Treasurer of Wolverhampton.

#### Accounting Research

At the end of last year there was published on behalf of the Incorporated Accountants' Research Committee the first issue of a new journal, *Accounting Research*. The second issue,

which has just appeared, contains a wide selection of articles on accounting and related subjects, treated at research level. A Research Working Party considers, with copious supporting statistics, the effects of the Local Government Act, 1948, upon the finances of the county boroughs, basing their work upon a questionnaire which was returned completed by all 83 boroughs. Professor T. H. Sanders contributes an article giving a balanced defence of what may be called the "orthodox" view on the replacement *versus* historical costs controversy, while Mr. Harry Norris argues for a more "radical" approach. Continental systems of standardised accountancy are compared with British and American systems by Professor S. J. Lengyel. Mr. G. L. S. Shackle discusses the index of production published by the Department of Applied Economics at Cambridge University in relation, particularly, to the official index of the Central Statistical Office. Post-war refunds of Excess Profits Tax are classified and examined by Mr. R. W. Moon. A long article by Mr. F. Sewell Bray, Mr. Charles Smith and Mr. D. R. Bedford Smith applies the principles of standard costing to the worsted spinning industry. The last article, by Mr. R. Lewin, is a study of university finance and accounts.

This second number of *Accounting Research*, which contains also a number of book reviews, runs to 144 pages—substantially more than the first number. The subscription for a volume, containing four issues, is 25s. net, post free. A single issue can be obtained for 7s. 9d. post free. Subscriptions and orders in the United Kingdom should be sent to the publishers, Cambridge University Press, 200, Euston Road, London, N.W.1, or to any bookseller.

#### Double Taxation—(I) Negotiations and Agreements

The Chancellor of the Exchequer has announced that negotiations with the Belgian Government for the ending of double taxation have been temporarily suspended while a revision of the tax system is being considered in Belgium.

Double taxation arrangements have been made between the United Kingdom and the High Commission territories of Basutoland, the Bechuanaland

Protectorate and Swaziland. The arrangements, which were published during July as schedules to Draft Orders in Council, follow the same lines as arrangements previously made with other colonies. They take effect for the current year.

#### Double Taxation—(II) Guide to Reliefs

A guide is now available to the rates of relief from United Kingdom income tax on the dividends of foreign and Dominion companies to which double taxation agreements apply. The companies shown are those in which there are shareholders in this country and for which rates have been agreed with the Inland Revenue.

The rates shown are maxima: the relief obtainable by any individual shareholder depends upon his circumstances and has to be agreed by him with his local Inspector of Taxes.

The guide, which costs 3d. (4d. post free), is in the form of a supplement to the Stock Exchange Weekly Official Intelligence. As agreement is reached with the Inland Revenue on rates for other companies, they will be included.

#### International Tax Surveys

Among the international studies now being made or recently completed by the Fiscal Division of the Department on Economic Affairs of the United Nations are seven with the following titles:

- (1) Administrative Practices relating to the Assessment and Collection of Taxes.
- (2) Granting of Credit for Taxes paid Abroad.
- (3) Reciprocal Administrative Assistance among Revenue Authorities in Tax Matters.
- (4) Statements of Views of Member Governments on Bilateral Model Tax Conventions of Mexico and London, 1943, 1946.
- (5) Survey of Trends in Recent Tax Agreements.
- (6) Tax Treatment of Foreign Nationals, Resources and Transactions.
- (7) The Work of the League of Nations Fiscal Committee.

The scope of these surveys and details of publication dates and prices are given in the *Catalogue of Economic and Social Projects (No. 1)*, published by the United Nations.

# ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

*The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. od., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.*

## The Economics of the Press

THE TERMS OF REFERENCE OF THE ROYAL Commission on the Press were "... to inquire into the control, management and ownership of the newspaper and periodical Press and the news agencies, including the financial structure and the monopolistic tendencies in control ...". Accordingly the financial and economic position of the industry was one of the focal points of the inquiry.

Chapter IX of the Report\* is devoted to a review of the economics of the industry. Notwithstanding the restriction in the supply of newsprint, there was a very substantial increase in circulations, for example, in the case of national morning papers by 80 per cent., of London evening papers by 98 per cent., and of Sunday papers by 100 per cent. from 1930 to 1947.

Apart from the years 1940 and 1941 the industry enjoyed considerable prosperity. The total profits of the undertakings examined were in 1937 £6,857,493 or 10.3 per cent. on capital employed; in 1946 these had risen to £13,732,695 or 18.3 per cent. on capital employed. The report states that "the five principal chain undertakings, as a whole, did not, in either 1937 or 1946, earn as high profits relative to capital employed as non-chain companies, nor were their profit increases in 1946, compared with 1937, as high."

As might be expected the industry adopted a conservative dividend policy, for the report indicates that during the period 1937-1946 the average net distribution of profits to ordinary shareholders (after deducting income tax) was approximately 8.8 per cent. per annum.

The financial review shows how the

industry balanced its income and expenditure, notwithstanding a violent change in revenue. For example, in the case of the national morning and London evening papers advertisement revenue in 1937 was 53 per cent. of the total; in 1946 it was only 25 per cent. This loss of advertising revenue was made good by higher income from circulation. An analysis of the principal items of expenditure given in the report shows that over the ten-year period there was little material change in percentages of cost. In the case of newsprint, which is the principal element of the cost of a newspaper, the reduction in quantity had to be set against a large increase in cost, from £11 10s. per ton pre-war to £45 per ton. In 1937 all but one of the national popular papers cost more, and some considerably more, than a penny a copy to produce. In 1946 all but one cost less, and some considerably less, than a penny to produce.

The Commission considered certain economic and financial proposals to assist new newspapers to start or independent newspapers to survive or to eliminate faults which witnesses saw in the performance of the Press. It rejected (a) any form of State ownership or control; (b) the limitation of profits, dividends or circulations; (c) the suggestion of a Public Corporation to print new newspapers under contract; (d) the limitation of advertising revenue; (e) fiscal measures designed to reduce the competitive advantage of large and established undertakings; and (f) a differential price for newsprint.

Appendix V to the Report gives particulars of the capital, directors and shareholding of the principal newspaper undertakings and, so far as

ascertained, who controls them. The Commission considered the question of disclosure of persons having the ownership or control of newspapers and were sympathetic towards full disclosure, as were the Cohen Committee before them, but came to the conclusion that the powers of investigation conferred upon the Board of Trade under Section 172 of the Companies Act, 1948, were adequate for the purpose, suggesting that the Board should make such investigations in suitable cases. The Commission recommended that similar powers should be conferred on the Registrar of Friendly Societies in respect of any societies registered under the Industrial and Provident Societies Acts which publish newspapers or periodicals or engage in the business of a news agency.

On the question of concentration of ownership the Report states "There is nothing approaching monopoly in the Press as a whole or, with the single exception of the London financial daily, in any class of newspaper" and "... there is nothing amounting to a financial monopoly in the Press and there is at present no specific tendency in that direction." The Commission was, however, disturbed at what it calls "local monopoly." "In 58 towns out of 66 in Great Britain in which daily newspapers are published there is a local monopoly in the sense that there is only one daily newspaper or all the dailies are in one ownership." It recommends that "if local monopolies in a considerable area whether rural or urban should be found not to be within the purview of the Monopolies Commission, the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, should be amended to bring newspaper monopolies in areas of this size within its scope."

The principal recommendation of the Commission is the establishment of a General Council of the Press "to safeguard the freedom of the Press; to encourage the growth of public responsibility and public service amongst all engaged in the profession of journalism—that is, in the editorial production of newspapers—whether as directors, editors or other journalists and to further the efficiency of the profession and the well-being of those who practise it."

\* The Report of the Royal Commission on the Press. Command 7700. His Majesty's Stationery Office. Price 6s. net.



# Companies Act, 1948—XXI

## THE RESPONSIBILITIES OF DIRECTORS

*This article is the twenty-first in a series on the new company law. The first, a general article on the Companies Act, 1947, appeared in our issue of September, 1947, and subsequent articles have dealt with the following special aspects :*

- |  |  |   |
|--|--|---|
| II. <i>Company Balance Sheet and Profit and Loss Account, etc.</i> | VIII. <i>Articles of Association &amp; Annual Returns.</i> | XIV. <i>The Winding-up of Companies.</i>            |
| III. <i>The Exempt Private Company.</i>                            | IX. <i>Bookkeeping and Accounts.</i>                       | XV. <i>The Protection of Minorities.</i>            |
| IV. <i>Disclosure of Payments to Directors.</i>                    | X. <i>Points to Note.</i>                                  | XVI. <i>Board of Trade Investigations.</i>          |
| V. <i>Meetings.</i>  | XI. <i>Accounts of Holding and Subsidiary Companies.</i>   | XVII. <i>Debentures.</i>                            |
| VI. <i>Prospectuses.</i>   | XII. <i>Receivers and Managers.</i>                        | XVIII. <i>Penalties.</i>                            |
| VII. <i>Auditors.</i>  | XIII. <i>Transfer and Transmission.</i>                    | XIX. <i>The Companies (Winding-Up) Rules, 1949.</i> |
|  |  | XX. <i>Annual Returns and Returns of Changes.</i>   |

By J. H. M. CLARK, A.C.A.

WHETHER ON ACCOUNT OF MORAL LAPSES OR OF plain ignorance the possibilities afforded to directors of unwittingly straying on to the wrong side of the law are now more prolific than ever. Due to the amount of legislation directed at them directors need to be more wary than almost any other group of working citizens.

(References to the Sections of the Companies Act, 1948, are given in the left-hand margin.)

### WHO IS A DIRECTOR ?

Even before being appointed or holding the title of director a person may incur liability and responsibility as such. This arises out of the wide definition given in the Companies Act which defines him as "any person occupying the position of director by whatever name called." The implication is that if he is called by some name such as "Manager," "Adviser" or "Consultant" and if he customarily attends Board meetings and directs the affairs of the company, he will in fact be a director for all the purposes of the Companies Act although not necessarily for the purpose of the company's Articles or for any other purpose.

Another class of person may be a director by virtue of the Companies Act but be subject to only certain of its provisions, without being appointed a director. This is a person in accordance with whose directions or instructions the directors of a company are accustomed to act, provided that such directions or instructions are not given in the form of advice in a professional capacity. Such a person may well be a majority shareholder or debenture-holder who directs the actions or policy of the Board. The Companies Act applies to such a person to the extent that his name and appropriate details must be entered in the Register of Directors, Register of Directors' Shareholdings and, with certain exceptions, on the company's letter headings, trade catalogues, etc. It is to be noted, moreover, that

this class of director is for certain provisions of the Act deemed also to be an officer of the company and as such may be held responsible for any default in complying with the provisions of the Act relating to the Register of Directors, Register of Directors' Shareholdings, particulars to be disclosed on letter headings, etc., completion and filing of Annual Return and for offences antecedent to or in course of winding-up.

Two further considerations as to the scope of a director's responsibilities remain to be added. Firstly, the term director is included in the definition of "officer" of a company, to whom multifarious duties are assigned by the Act, and secondly, as will be indicated later, a director's responsibilities do not necessarily cease on his vacating his position or on the company going into liquidation.

Responsibilities as a director cannot arise in respect of a period prior to the incorporation of the company, but it is to be noted that anyone who carries on a business is responsible for not using the word "limited" in the name of the business unless duly incorporated with limited liability.

### NATURE AND SOURCE OF RESPONSIBILITIES

The next stage is to consider the nature and the sources of a director's responsibilities and it will be seen that these fall into three categories. The first category comprises his practical and positive responsibilities to the company as a body for the proper conduct of its affairs; the second, his responsibilities in common law as a trustee and as an agent; and the third, his more negative, but in some ways more onerous, responsibilities for complying with the circumscribing limitations imposed by the Companies Act.

The first category is derived from the company's Articles of Association where (in Table A) it is required that "the business of the company shall be managed by the directors." It is



interesting to note that this refers only to the "management" of the business and implies that the direction of the company is a matter for the shareholders. Having thus given the directive, the Articles proceed to set out wide powers enabling them to perform their duties and in general grant them "all such powers of the company as are not by the Act or by the Articles required to be exercised by the company in general meeting." This aspect of managing the business of the company is, of course, the most important part of a director's work, occupying most of his time and attention.

The second category arises under common law, whereby the directors hold a position in the nature of trustees with regard to the exercise of their powers for the benefit and in the interests of the company, and although the property and assets of the company do not vest in them they have control of them and are responsible for them as trustees. Also, under common law, the directors are in the position of agents with regard to the transactions and contracts of the company and they are therefore responsible for the proper use of their authority in binding the company at law and for having no personal interest in such contracts except when permitted.

These wide powers exercisable by directors were found to give scope and temptation for abuse in the hands of those so disposed and accordingly new Companies Acts have been produced, latterly at intervals of twenty years, with increasing effect to regulate and reveal their actions and to impose upon them certain responsibilities which are dealt with in the remaining part of this paper.

#### COMPANIES ACT, 1948

On perusing the Act we find that directors' responsibilities are interspersed from beginning to end together with a separate group of Sections devoted to them in the middle. This group incidentally is the biggest group of Sections contained in the Act and so the importance of the subject is not left in doubt. In practice it is often left to the Secretary or other officials of the company to ensure on behalf of the directors that the necessary statutory provisions are complied with, but nevertheless the legal responsibility generally remains that of the directors themselves.

It is here proposed to deal with those responsibilities which are stated to apply to directors only and not with those attaching to them in their capacity as officers, which would be so numerous as to require more than a single issue of this journal. Dealing, therefore, with these direct responsibilities in a logical sequence it will be found that they fall conveniently under the following headings:

1. Appointment
2. Disclosure

3. Capital
4. Management and Administration
5. Accounts
6. Investigation and Winding-up.

#### 1. APPOINTMENT

It is to be noted that every company must now have at least one director, and if it is a public company registered after November 1, 1929, it must have at least two directors. A sole director may not also be the secretary of the company.

A director appointed under the terms of the Articles must take up any qualification shares required by the Articles within two months after appointment or any shorter time specified by the Articles. Except in the case of a private company the appointment of directors at a general meeting must be voted upon individually unless a unanimous resolution is passed to vote upon them jointly. If a defect is later discovered in the appointment or in the qualification of a director his actions as such are nevertheless valid, but this does not apply to a case where there has been a total absence of appointment.

A director may not assign his office as such even if permitted by the Articles unless the assignment is approved by the company by special resolution.

#### 2. DISCLOSURE

Having ensured that he is properly appointed and qualified, a director is then responsible for disclosing to the company certain details relating to himself. Firstly, if the company is one to which the provisions as to directors' retirement under an age limit apply, either by virtue of Section 185 of the Act or by virtue of its Articles, any person who at a time when he has reached the retiring age is appointed director, or is to his knowledge proposed to be appointed, must give notice of his age. Secondly, a director must give notice in writing of the details of his share and debenture holdings in the company, in its subsidiaries, holding companies and other companies of the group, including shares and debentures of which he has any right to become the holder, also details of the consideration for and date of any sales by him of such shares or debentures.

Thirdly, a director is responsible up to five years after ceasing to hold office for disclosing the necessary details relating to amounts received or receivable as emoluments, pensions and compensation for loss of office in respect of services as a director or while a director of the company. These comprehensive details are set out in Section 196 of the Act and are required for the purpose of publication with the annual accounts of the company. Where a director is to receive a payment by way of compensation for loss of office or otherwise in connection with his retirement from office under a scheme for the transfer

of shares in the company, it is his duty to give notice of the proposed payment including the amounts thereof to the shareholders transferring their shares and to obtain the approval of all the shareholders of the class affected. If he fails to give the notice or to obtain the approval he will be deemed to hold any such sums received by him in trust for the shareholders whose shares were sold under the scheme.

Fourthly, any director who is or becomes in any way interested in a contract or proposed contract with the company is responsible for disclosing the nature of his interest to a meeting of the directors of the company.

Fifthly, where a compromise or arrangement is to be entered into by the company with its creditors or members or any class of creditors or members, it is the duty of any director to give notice to the company of any material interests affecting himself whether as director, member or creditor of the company or otherwise, including any particular effect of the compromise on his interest so far as it differs from the effect on other interests of the same nature.

### 3. CAPITAL

The directors are responsible for ensuring that a copy of any prospectus to be issued has been registered duly signed by all persons named therein as directors or proposed directors. They may also be responsible for the veracity of any statements in the prospectus other than those made by and with the consent of experts.

The directors may each be jointly and severally liable for the repayment to applicants of money subscribed for shares where the amount of the minimum subscription has not been subscribed and the appropriate application money has not been received. They are similarly liable if in the prospectus they undertake to apply for permission to deal on a Stock Exchange, they fail to do so within three days of the issue of the prospectus or if, having applied, the permission is refused within a period of six weeks.

### 4. MANAGEMENT AND ADMINISTRATION

The majority of the responsibilities under this heading fall upon the officers of the company as such, but the directors are specifically responsible for the contents, certification and distribution of the statutory report and the holding of the statutory meeting. They are similarly responsible for convening and giving proper notice of an extraordinary general meeting where called for on the requisition of the appropriate proportion of the shareholders.

In the case of a private company and an exempt private company a director is responsible for certifying annually that the respective requirements necessary to maintain its status as such have been duly complied with during the period since the previous annual return.

### 5. ACCOUNTS

The emphasis given in the Act to the responsibilities of directors with regard to the company's accounts make them possibly the most important and most specific of all their duties, and it is to be noted that all the relative obligations are laid specifically upon directors and not upon officers as is so frequently the case elsewhere in the Act.

The directors must take all reasonable steps to secure that proper books of account are kept by the company to explain and record its transactions and to show a true and fair view of the state of the company's affairs. The books are required to be at all times open to inspection by the directors; and if any books of account are kept outside Great Britain, the directors must ensure that proper accounts and returns of their contents are sent to and kept in Great Britain, so as to disclose with reasonable accuracy the financial position of the overseas business at intervals of not more than six months and to enable proper accounts to be drawn up from them.

Once at least in every calendar year, or such extended period as the Board of Trade may allow, the directors must lay before the company in general meeting a profit and loss account and a balance sheet. In particular, the profit and loss account must give a true and fair view of the profit or loss for the financial year and the balance sheet must give a true and fair view of the state of affairs of the company at the end of its financial year. In appropriate circumstances the accounts must be accompanied by or be incorporated in group accounts unless in the directors' opinion there is good reason for dispensing with the group accounts. As is now well known, these accounts must comply with Sections 196 and 197 of the Act and with the extensive and detailed provisions of the 8th Schedule to the Act, except so far as modification is permitted by the Board of Trade.

Amongst these provisions are three to which the directors are required to give specific consideration:

(a) Where in their opinion any of the current assets have not a value, on realisation in the ordinary course of the company's business, at least equal to the amount at which they are stated on the balance sheet, the fact that they are of such opinion is to be noted.

(b) Where the amount of any provision is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess is to be treated as a reserve unless it was written off fixed assets before the commencement of the Act.

(c) Where in the opinion of the directors of a holding company there are good reasons why they should not arrange for the financial year of a subsidiary to coincide with that of the

S. 147

S. 148

S. 149

S. 150

S. 151

S. 150

S. 149

8th Sch.  
11(7)

8th Sch.  
27(2)

S. 153  
and  
8th Sch.  
22



holding company, a note of such reasons is to be contained on or with the accounts.

S. 157 The accounts are required to have attached to them a report by the directors with respect to the state of the company's affairs, any recommended dividend, any proposed transfers to reserves and, so far as the directors consider it to be material and prudent, any changes in the business interests of the company or its subsidiaries.

S. 155 The responsibility of all the directors for the accounts is regarded as of such importance that the signing of the balance sheet on behalf of the Board by two directors or by the sole director is the one occasion where the Act requires the Board to be committed as a body. Further, the profit and loss account and any group accounts must be approved by the board of directors before the balance sheet is signed on their behalf.

#### 6. INVESTIGATION AND WINDING-UP

It is the responsibility of directors :

S. 165 (a) To manage the affairs of the company without fraud, misfeasance or other misconduct towards it or towards its members ;

(b) to give to the members all the information with respect to its affairs that they might reasonably expect ;

(c) to conduct the business with no intent to defraud creditors or for a fraudulent or unlawful purpose or to cause oppression to any part of its members.

S. 166 If it appears to the Board of Trade that there are circumstances suggesting a lapse of these duties they may appoint one or more competent inspectors to investigate and report thereon and such investigation may extend to subsidiary, holding and other companies if considered necessary.

### CLAIM PAYMENT UNDER A VALUED FIRE POLICY

WHERE A VALUED FIRE POLICY IS IN FORCE AND THERE HAS BEEN a partial loss but reinstatement has not been effected, what is the proper principle to be applied in measuring the claim payment ?

It is curious that there should have been no previous authority on the point, but a principle of valuation may now be regarded as having been established by the decision of Morris, J., in *Elcock v. Thomson*.

In that case a mansion had been insured against fire under a valued policy, in which the value of the mansion was put at £100,000. The mansion was partially destroyed by fire. Had repairs been effected at a reasonable cost, the reasonable cost up to the total amount of the agreed value would have been payable. But in this case there was merely a partial loss without reinstatement.

A number of alternatives were suggested, but the Court was ultimately guided by the principle applied to marine policies. The law on such policies has long been settled : an agreed valuation may not be reopened where there is partial loss. *Steamship*

S. 164

The same investigation may be initiated by application of shareholders, by special resolution of the company or by an order of the court, and in the event of an action resulting from the investigation it is the duty of past as well as present directors of the company being investigated to give all reasonable assistance to the inspector and to the Director of Public Prosecutions.

S. 167

S. 169

Similar but more stringent and extensive duties are made the responsibility of directors and past directors prior to and during the winding-up of the company, and they are set out in Sections 328 to 332. These refer to falsification of books, inadequate book-keeping, false pretences and fraud, for which heavy penalties are attached ; also, in general, a director or past director must act and have acted during the twelve months prior to the winding-up with honest intent as regards any property of a value of £10 or upwards and give to the liquidator full assistance and disclosure of information.

S. 329

S. 330

S. 331

S. 328

Two further duties fall to be added under this heading, namely, on the appointment of an official receiver by the Court the directors are responsible for submitting and verifying the statement of affairs in the prescribed form and the Official Receiver may require past directors to perform this. Also in the event of a creditors' voluntary winding-up it is the duty of the directors to present to a meeting of the creditors a full statement of the affairs of the company together with a list of the creditors and the amount of their claims, and finally, one of the directors is to preside at the meeting of the creditors.

S. 273

S. 293

*Balmoral Co., Ltd. v. Marten* (1902, A.C. at p. 521), and the agreed valuation must accordingly be taken as the basis of the loss payment in such cases, *Pittman v. Universal Marine Insurance Co.* (1882, 9 Q.B.D. 192).

By far the simplest method would clearly be to assess the difference between the pre-fire and the post-fire values respectively of the property, and to award the difference as the measure of the loss, in so far as it might fall within the limits of the agreed value. But while such an assessment comes into the calculation that has to be made, it does not conclude the matter. In the view of Morris, J., it was necessary to take the proportion which the actual loss in value bore to the actual pre-fire value and then to apply that proportion to the whole amount of the agreed value. The resulting sum would then represent the measure of the insurer's liability. Thus in the above case the pre-fire value was £18,000, and the actual depreciation in value was £5,400. The proportion to be taken was accordingly  $\frac{5,400}{18,000} = \frac{3}{10}$ . This proportion, when applied to the agreed value of £100,000, would amount to £30,000, and that was the measure of the claim payment. It will be observed that the £30,000 was far in excess of the actual value of the mansion itself in its pre-fire condition.



# The Distribution of Surplus Assets in a Winding-up

In a Professional Note in our issue of June last (page 194) we discussed the result of the case *Scottish Insurance Corporation v. Wilsons and Clyde Coal Co., Ltd.*, upon the rights of preference shareholders in undertakings when they are wound up upon nationalisation.

The case was also important, however, for its implications upon the meaning of the memorandum and articles. Mr. Westby-Nunn considers those implications in relation to previous cases.

By E. WESTBY-NUNN, B.A., LL.B., Barrister-at-Law

THE DECISION OF THE HOUSE OF LORDS IN *Scottish Insurance Corporation v. Wilsons and Clyde Coal Co., Ltd.* (1949, 1 All E. R. 1068) deals, among other things, with the old problem of the distribution of surplus assets in a winding-up, and has helped to clarify the law on this much-litigated subject by over-ruling the case of *in re William Metcalfe & Sons, Ltd.* (1933, Ch. 153).

In *Birch v. Cropper* (1889, 14 App. Cas. 525), it was established that, in the absence of anything to the contrary in the terms on which particular classes of shares were issued, all shareholders are entitled to share surplus assets in proportion to the nominal value of their holdings: surplus assets meaning, for this purpose, the fund available for distribution after all the liabilities of the company have been repaid and after all paid-up share capital has been refunded.

The consequences of this decision were worked out in *in re Bridgewater Navigation Company* (1891, 2 Ch. 317), where the Court went into the question whether or not any part of the surplus was profit to which the holders of the ordinary shares were entitled, and in *in re Espuola Land and Cattle Co., Ltd.* (1909, 2 Ch. 187).

This latter case, like those which followed it, was one in which the sole question was one of construction: the Court having to decide whether the particular memorandum and articles of the company involved in the suit deprived the holders of preference shares of their *prima facie* right to share in surplus assets.

The obscurity in the situation began with the decision in *in re National Telephone Co.* (1914, 1 Ch. 755) in which Sargant, J., said:

It appears to me that the weight of authority is in favour of the view that, either with regard to dividend or with regard to the rights in a winding-up, the express gift or attachment of preferential rights to preference shares, on their creation, is *prima facie* a definition of the whole of their rights, and negatives any further or other right to which, but for the specified rights, they would have been entitled.

From this view Astbury, J., dissented in *in re Fraser & Chalmers, Ltd.* (1919, 2 Ch. 114), saying:

It seems to me impossible to say that, because it is provided that certain debts of the company shall be paid in a winding-up in a particular order, a fund remaining after doing so, which is not expressly nor by implication referred to at all, and which forms part of the general assets of the company, shall be divided between some to the exclusion of other shareholders.

In *Collaroy Co., Ltd. v. Giffard* (1928, 1 Ch. 144), however, Astbury, J., withdrew this dissent, and agreed that, if there were an express gift of preferential rights in a winding-up, there was *prima facie* a definition of the whole of the rights of the holders of preference shares; but he emphasised the phrases in italics, and justified his own decision in *Fraser & Chalmers, Ltd.*, on the ground that in that case the preference shareholders were given only "a" right to preferential repayment of their paid-up capital, which, he held, indicated an intention that they should still be entitled to share in surplus assets. In *Collaroy Co., Ltd. v. Giffard*, where they were given "the" right to preferential repayment of paid-up capital, there was, in his view, no evidence of such intention, and the holders of the preferential shares were not entitled to share in surplus assets.

In *in re William Metcalfe & Sons, Ltd.* (1933, Ch. 142), Eve, J., refused to recognise this subtle distinction between the use of the indefinite article "a" and the definite article "the." Both he and the members of the Court of Appeal, who upheld his decision, dissented from the dictum of Sargant, J., in the *National Telephone* case, and held, in effect, that the express gift of preferential rights in a winding-up did not *prima facie* exclude the holders of preference shares from sharing in surplus assets.

By a majority of three to one of the members of the House of Lords in *Scottish Insurance Corporation v. Wilsons & Clyde Coal Co., Ltd.* (*supra*), the decision in the case in *re William Metcalfe & Sons, Ltd.*, has

now been over-ruled, and it is, therefore, necessary to review the situation in order to ascertain what now is the position as regards surplus assets.

Bearing in mind always that, in this sense, surplus assets are those assets which remain after liabilities and paid-up share capital have been repaid, the first principle that can be enunciated is that the destination of these surplus assets depends on the terms of the memorandum or articles or the resolution (if any) by which preference shares were created. In *in re Bridgewater Navigation Co.* (*supra*), for instance, part of the surplus was found to be "profit available for dividend," and, since the articles entitled holders of ordinary shares to what was left of such profit after the preference dividend had been paid, they were entitled to that part of the surplus to the exclusion of the holders of the preference shares, though the rest of the surplus, which was not profit available for dividend, was divisible among all shareholders. Modern memoranda and articles often provide specifically that, though holders of preference shares shall be entitled to preferential repayment of their paid-up capital in a winding-up, they shall not be entitled to any other share in the company's property or assets. In such cases the position is usually tolerably clear.

In construing the memorandum or articles or resolution, it is necessary to consider not merely the wording of particular clauses but the total effect of all the documents concerned. This is made particularly clear by the facts in *Scottish Insurance Corporation v. Wilsons and Clyde Coal Co., Ltd.* (*supra*), where the total effect was to put the holders of the ordinary stock in so strong a position that they had complete power of determining whether or not there should be any surplus. This is strong, though not conclusive, evidence that the surplus is intended to go wholly to the holders of the ordinary shares.

If there is nothing in the memorandum or articles or resolution indicating a contrary intention, then the surplus is divisible among all shareholders in proportion to the nominal value of their holdings.

Beyond this, generalisation is dangerous. It seems that Astbury, J.'s, subtle distinction between the use of the definite and indefinite articles has not been definitely disapproved of and that, on the facts involved, both *Fraser & Chalmers, Ltd.*, and *Collaroy Co., Ltd. v. Giffard* must be regarded as sound decisions.

It seems also that approval has been given to the dictum of Sargant, J., in the case in *re National Telephone Co.*, quoted above.

"Points in Practice" are held over and will appear next month.

# The Rates of the Death Duties

THE ABOLITION OF THE LEGACY AND SUCCESSION DUTIES WILL LEAVE the Estate Duty in isolated splendour as the one all-embracing death duty. The loss of revenue entailed in the abolition of the two duties is more than offset, however, by the proposed increases in the rates of Estate Duty. In the "middle ranges" particularly, the increases are steep and, on balance, it is estimated that the revenue from death duties will be increased by £11 million in 1949-50 and £20 million in a full year.

Estate Duty was first imposed in its present form in 1894, when it superseded the old Probate and Account Duties. The General Scale of Rates of Estate Duty set out in the Seventh Schedule of the current Finance Act is the eleventh revised scale of duties

imposed since 1894. As might be expected, the successive changes have all been in the same direction—upwards.

The new scale will apply "in the case of persons dying after the commencement of this Part of this Act" (that is, Part III—Death Duties and Corporation Duty). This date was the date on which the Finance Act received the Royal Assent, July 30. In this respect the Bill departs from normal practice, for new rates of duty normally take effect from a date stated in the Bill, which is the date on which the Budget proposals are presented to Parliament.

The new rates are shown in Table I. For the purpose of comparison and for practical use where appropriate this table

TABLE I  
Rates of Estate Duty, from 1894 to 1949, including new rates in the 1949 Finance Act and the operation of "marginal relief" in regard thereto.

| Finance Act                             |                       | 1894    | 1907    | 1910    | 1914    | 1919    | 1925    | 1930   | 1939    | 1939 (2) | 1940 (2) | 1946    | 1949    | Effective ranges of the new rates, taking marginal relief into account |        | Marginal relief applies |           |
|---|-----------------------|---------|---------|---------|---------|---------|---------|--------|---------|----------|----------|---------|---------|--|--------|-------------------------|-----------|
| Date of coming into force               |                       | 31-7-94 | 19-4-07 | 30-4-09 | 16-8-14 | 31-7-19 | 30-6-25 | 1-8-30 | 26-4-39 | 28-9-39  | 23-7-40  | 10-4-46 | 30-7-49 |  |        |                         |           |
| Where the principal value of the estate |                       |         |         |         |         |         |         |        |         |          |          |         |         | from   |        | from                    |           |
| exceeds £                               | and does not exceed £ |         |         |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
|   | 100                   |         |         |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
| 100                                     | 500                   | 1       | 1       | 1       | 1       | 1       | 1       | 1      | 1       | 1        | 1        |         |         |  |        |                         |           |
| 500                                     | 1,000                 | 2       | 2       | 2       | 2       | 2       | 2       | 2      | 2       | 2        | 2        |         |         |  |        |                         |           |
| 1,000                                   | 2,000                 |         |         |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
| 2,000                                   | 3,000                 |         |         | 3       | 3       | 3       | 3       | 3      | 3       | 3        | 3        | 1       | 1       | £ s. d.  | £      | £                       | £ s. d.   |
| 3,000                                   | 5,000                 | 3       | 3       |         |         |         |         |        |         |          |          | 2       | 2       | 2,020 4 1  | 3,000  | 2,000                   | 2,020 4   |
| 5,000                                   | 7,500                 |         |         |         |         |         |         |        |         |          |          |         |         | 3,030 12 3   | 5,000  | 3,000                   | 3,030 12  |
| 7,500                                   | 10,000                |         |         | 4       | 4       | 4       | 4       | 4      | 4       | 4        | 4        | 3       | 3       | 5,051 11 0   | 7,500  | 5,000                   | 5,051 11  |
| 10,000                                  | 12,500                |         |         |         |         |         |         |        |         |          |          | 4       | 4       | 7,578 2 6  | 10,000 | 7,500                   | 7,578 2   |
| 12,500                                  | 15,000                |         |         |         |         | 5       | 5       | 5      | 5       | 5        | 5        | 6       | 6       | 10,212 15 4  | 12,500 | 10,000                  | 10,212 15 |
| 15,000                                  | 17,500                |         |         |         |         |         |         |        |         |          |          |         |         | 12,771 14 10   | 15,000 | 12,500                  | 12,771 14 |
| 17,500                                  | 18,000                |         |         |         |         |         |         |        |         |          |          |         |         | 15,333 6 8   | 17,500 | 15,000                  | 15,333 6  |
| 18,000                                  | 20,000                | 4       | 4       | 5       | 5       | 6       | 7       | 7      | 7       | 7        | 7        | 8       | 10      | 17,897 14 7  | 20,000 | 17,500                  | 17,897 14 |
| 20,000                                  | 21,000                |         |         |         |         |         |         |        |         |          |          |         |         | 20,705 17 8  | 25,000 | 20,000                  | 20,705 17 |
| 21,000                                  | 25,000                |         |         |         |         | 7       | 9       | 9      | 9       | 9        | 9        | 12      | 15      |  |        |                         |           |
| 25,000                                  | 30,000                |         |         | 6       | 6       | 8       | 10      | 10     | 10      | 11       | 12       | 14      | 18      | 25,914 12 8  | 30,000 | 25,000                  | 25,914 12 |
| 30,000                                  | 35,000                |         |         |         |         |         |         |        |         |          |          |         |         | 31,139 4 10  | 35,000 | 30,000                  | 31,139 4  |
| 35,000                                  | 40,000                | 4½      | 4½      |         |         | 9       | 11      | 11     | 11      | 12       | 13       | 16      | 21      | 36,381 11 7  | 40,000 | 35,000                  | 36,381 11 |
| 40,000                                  | 45,000                |         |         |         |         |         |         |        |         |          |          |         |         | 42,222 4 5   | 45,000 | 40,000                  | 42,222 4  |
| 45,000                                  | 50,000                |         |         |         |         | 10      | 13      | 13     | 13      | 14       | 15       | 20      | 28      | 46,956 10 5  | 50,000 | 45,000                  | 46,956 10 |
| 50,000                                  | 55,000                |         |         |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
| 55,000                                  | 60,000                |         |         |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
| 60,000                                  | 65,000                |         |         |         |         | 11      | 15      | 15     | 16      | 18       | 19       | 24      | 35      | 53,076 18 5  | 60,000 | 50,000                  | 53,076 18 |
| 65,000                                  | 70,000                | 5       | 5       |         |         |         |         |        |         |          |          |         |         |  |        |                         |           |
| 70,000                                  | 75,000                |         |         |         |         | 12      | 16      | 16     | 17      | 19       | 20       | 27      | 40      | 65,000 0 0   | 75,000 | 60,000                  | 65,000 0  |
|   |                       |         |         |         |         | 13      | 17      | 17     | 18      | 20       | 22       |         |         |  |        |                         |           |

| Finance Act                             |                       | 1894    | 1907    | 1910    | 1914    | 1919    | 1925    | 1930   | 1939    | 1939 (2) | 1940 (2) | 1946    | 1949    | Effective ranges of the new rates, taking marginal relief into account | Marginal relief applies       |
|---|-----------------------|---------|---------|---------|---------|---------|---------|--------|---------|----------|----------|---------|---------|--|-------------------------------|
| Date of coming into force               |                       | 31-7-94 | 19-4-07 | 30-4-09 | 16-8-14 | 31-7-19 | 30-6-25 | 1-8-30 | 26-4-39 | 29-9-39  | 23-7-40  | 10-4-46 | 30-7-49 |  |                               |
| Where the principal value of the estate | exceeds £             |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   | and does not exceed £ |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
| 75,000                                  | 80,000                | 5½      | 5½      | 8       |         | 13      | 18      | 18     | 19.8    | 21.6     | 23.4     | 30      | 45      | 81,818 3 8   | 100,000 75,000 81,818 3 8     |
| 85,000                                  | 90,000                |         |         |         | 9       |         |         |        |         |          |          |         |         |  |                               |
| 90,000                                  | 100,000               |         |         |         |         | 14      | 19      | 19     | 20.9    | 22.8     | 24.7     |         |         |  |                               |
| 100,000                                 | 110,000               |         |         |         |         | 15      | 20      | 20     | 22      | 24       | 26       | 35      | 50      | 110,000 0 0  | 150,000 100,000 110,000 0 0   |
| 110,000                                 | 120,000               | 6       | 6       | 9       | 10      | 16      | 21      |        |         |          |          |         |         |  |                               |
| 120,000                                 | 130,000               |         |         |         |         | 17      | 22      |        |         |          |          |         |         |  |                               |
| 130,000                                 | 140,000               |         |         | 10      | 11      | 18      | 23      | 24     | 26.4    | 28.8     | 31.2     | 40      | 55      | 166,666 13 4   | 200,000 150,000 166,666 13 4  |
| 140,000                                 | 150,000               |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
| 150,000                                 | 170,000               | 6½      | 7       |         |         | 19      | 24      | 26     | 28.6    | 31.2     | 33.8     | 45      |         |  |                               |
| 170,000                                 | 175,000               |         |         |         |         | 20      |         |        |         |          |          |         |         |  |                               |
| 175,000                                 | 200,000               |         |         |         |         |         | 24      | 26     | 28.6    | 31.2     | 33.8     | 45      |         |  |                               |
| 200,000                                 | 225,000               |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
| 225,000                                 | 250,000               |         |         |         |         | 13      | 21      | 28     | 30.8    | 33.6     | 36.4     | 50      |         |  |                               |
| 250,000                                 | 300,000               |         |         | 11      |         | 14      | 22      |        |         |          |          |         |         |  |                               |
| 300,000                                 | 325,000               |         |         |         |         | 15      | 23      | 26     | 30      | 33       | 36       | 39      |         |  |                               |
| 325,000                                 | 350,000               | 7       | 8       |         |         |         |         |        |         |          |          |         |         |  |                               |
| 350,000                                 | 400,000               |         |         |         |         | 24      | 27      | 32     | 35.2    | 38.4     | 41.6     | 55      | 65      | 342,857 2 10   | 500,000 300,000 342,857 2 10  |
| 400,000                                 | 450,000               |         |         |         |         | 25      |         |        |         |          |          |         |         |  |                               |
| 450,000                                 | 500,000               |         |         | 12      | 16      |         |         |        |         |          |          |         |         |  |                               |
| 500,000                                 | 600,000               |         |         |         | 17      | 26      | 28      | 34     | 37.4    | 40.8     | 44.2     | 60      | 70      | 583,333 6 8  | 750,000 500,000 583,333 6 8   |
| 600,000                                 | 750,000               | 7½      | 9       |         | 13      | 18      | 27      | 36     | 39.6    | 43.2     | 46.8     | 65      | 75      | 900,000 0 0  | 1,000,000 750,000 900,000 0 0 |
| 750,000                                 | 800,000               |         |         |         | 14      | 19      | 28      | 38     | 41.8    | 45.6     | 49.4     |         |         |  |                               |
| 800,000                                 | 1,000,000             |         | 9½      |         |         |         |         |        |         |          |          |         |         |  |                               |
| 1,000,000                               | 1,250,000             |         | Note A  |         |         | 30      | 30      | 40     | 44      | 48       | 52       |         |         |  |                               |
| 1,250,000                               | 1,500,000             |         |         |         |         | 32      | 32      | 42     | 46.2    | 50.4     | 54.6     | 70      |         |  |                               |
| 1,500,000                               | 2,000,000             |         |         |         |         | 35      | 35      | 45     | 49.5    | 54       | 58.5     |         |         |  |                               |
| 2,000,000                               | 2,500,000             | 8       | B       | 15      | 20      |         |         |        |         |          |          |         |         |  |                               |
| 2,500,000                               | 3,000,000             |         | C       |         |         | 40      | 40      | 50     | 55      | 60       | 65       | 75      |         |  |                               |
| 3,000,000                               |                       |         | D       |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         | E       |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
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|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
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|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |
|   |                       |         |         |         |         |         |         |        |         |          |          |         |         |  |                               |

Notes A to E :

The rates laid down in 1907 for estates exceeding £1,000,000 in principal value were :

| exceeding £ | and not exceeding £ | Per cent.                  | Percent.         |
|-------------|---------------------|----------------------------|------------------|
| A 1,000,000 | 1,500,000           | 10 on first £1,000,000 and | 11 on the excess |
| B 1,500,000 | 2,000,000           | 10 " "                     | 12 " "           |
| C 2,000,000 | 2,500,000           | 10 " "                     | 13 " "           |
| D 2,500,000 | 3,000,000           | 10 " "                     | 14 " "           |
| E 3,000,000 |                     | 10 " "                     | 15 " "           |

also sets out all the earlier scales, as determined by the date of death. When comparing the 1949 scale with the 1946 rates, it must be borne in mind that the increases are, to a certain extent, offset by the abolition of Legacy and Succession Duties. This is considered more fully later and is illustrated in Table IV.

#### THE PROGRESSIVENESS OF THE DUTY

Estate Duty is a graduated duty, the rate of which is determined by the aggregate value of all the property which passes or is deemed to pass on the death (with certain exceptions which do not affect the general principle). The progression of the rates as

shown in Table I makes an interesting study. This progression may be considered down the table, in the sense that the rates increase with the size of the estate (which is inherent in a graduated scale of duty), or across the table, in the sense that given an estate of a certain value, the rate of duty is seen to increase from time to time. A solitary exception to the latter rule is found in the exemption, as from April 10, 1946, of estates the principal value of which does not exceed £2,000. Previously, any estate in excess of £100 had been liable, and the rates of 1 per cent. (£100 to £500), 2 per cent. (£500 to £1,000) and 3 per cent. (£1,000 to £2,000) had remained undisturbed since 1894.



The odd rates imposed in 1939 and 1940 are found by adding the appropriate fraction to the 1930 rates. Thus, for example, the rate of 18.7 per cent. applicable to an estate of between £65,000 and £75,000, in the case of deaths between April 26, 1949 and September 27, 1949, is the 1930 rate of 17 per cent. increased by one-tenth (Section 29, Finance Act, 1939) and the calculation will be most conveniently made in that way. The following table may, therefore, be useful :

| TABLE IA                                 |                                   |                         |
|--|-----------------------------------|-------------------------|
| Deaths between                           | Principal Value                   | 1930 Rates increased by |
| April 26, 1939 and September 27, 1939    | Over £50,000                      | 1/10th                  |
| September 28, 1939, and July 22, 1940 .. | Over £10,000 but not over £50,000 | 1/10th                  |
|  | Over £50,000                      | 1/5th                   |
| July 23, 1940, and April 9, 1946 ..      | Over £10,000 but not over £50,000 | 1/5th                   |
|  | Over £50,000                      | 3/10ths                 |

The very high rates now applicable, where large estates are concerned, are reached by a method of graduation which has undergone an important change. In 1894 the table proceeded in steps of 1 per cent. up to 4 per cent. ; subsequent steps were by only  $\frac{1}{2}$  per cent. at a time. By 1910 the straightforward arithmetical progression of 1 per cent. to 15 per cent. by even steps of 1 per cent. had been arrived at. In 1919 this graduation was retained, up to a principal value of £1 million, at which the rate was 28 per cent.—then the steps themselves increased progressively, being 2 per cent., 2 per cent., 3 per cent. and 5 per cent. to give the ultimate rate of 40 per cent. on estates of over £2 million. The £1 million estate appears to exert a subtle influence over successive Chancellors ; it shares with £10,000 the distinction of being the only point in all the tables at which there has always been a change in the rate of duty.

The process of accelerated increments which started so unobtrusively in 1919, in the higher ranges of the table only, is seen to take a marked step forward in 1946, when steps of 2 per cent. commence at estates of £10,000 and increase progressively to steps of 5 per cent. at £100,000, from which point onwards 5 per cent. is the constant difference of the arithmetical progression. (Some might call it a rake's progress !)

The new rates are obtained by a further intensification of this process combined with a slight "crowding up" in the £15,000 to £20,000 range, which itself automatically increases all the rates at higher levels. The greatest proportionate increase proposed is in the £75,000 to £100,000 group, where the new rate of 45 per cent. represents an increase of one-half on the old rate of 30 per cent. (subject to some relief in respect of Legacy and Succession Duties repealed). There is no doubt that most of the £20 million additional revenue will be obtained from the middle ranges of, say, £50,000 to £100,000. Above £100,000 the proportionate increases are lower than 50 per cent. and in the highest range (over £2 million) the actual increase is only 5 per cent. Is it possible that at these levels the pips are already squeaking ?

#### MARGINAL RELIEF

The very high rates now in force, and the jumps in the rates at certain points, draw attention to the important effect of marginal relief. At no point in the scale is the Estate Duty payable to exceed the amount that would be obtained by paying duty on the highest figure in the preceding group, at the rate applicable to that group, as a result of first surrendering the "margin."

In other words, part of an estate may be given to the Exchequer in order to obtain the benefit of a lower rate of duty on what remains. At £1,250,000, for example, the choice is either to pay

80 per cent. on £1,250,000, which is £1 million. (leaving £250,000 only in the estate !), or to surrender £250,000 and to pay 75 per cent. on £1 million, which is £750,000 (making with the £250,000 margin surrendered a total payment of £1 million and again leaving £250,000 net in the estate). It is obvious, then, that for any value between £1 million and £1,250,000 marginal relief will give the better result but above £1,250,000 it will not be applicable.

To find the point in each group at which marginal relief ceases to apply, the following formula may be used :

Let the rate of Estate Duty on an estate of up to £x be  $r_1$  per cent. and on an estate which exceeds £x be  $r_2$  per cent. Then on £(x + m), with marginal relief, the duty is  $\frac{r_1}{100}x + \frac{r_2}{100}m$

and without marginal relief it is  $\frac{r_2}{100}(x + m)$ . At the point where marginal relief ceases to apply, these two expressions are equal. Thus, at that point :

$$\frac{r_1}{100}x + \frac{r_2}{100}m = \frac{r_2}{100}(x + m)$$

from which we have :

$$r_1x + 100m = r_2x + r_2m$$

$$\text{or : } m = \frac{(r_2 - r_1)}{100 - r_2}x$$

In the example already considered,  $x = 1,000,000$  ;  $r_1 = 75$  ;  $r_2 = 80$  and  $m = \frac{5 \times 1,000,000}{20} = 250,000$ .

The right-hand column in Table I shows the various ranges in which marginal relief operates, at each point in the new scale of Estate Duty. When one of the older scales is applicable, the formula may be used.

Marginal relief is intended to prevent the absurdity of a smaller net amount remaining from a larger estate, after payment of Estate Duty, than would remain from a smaller estate. For example, without marginal relief an estate of £100,000 would pay, at 45 per cent., £45,000, leaving £55,000 net, whereas an estate of £105,000 would pay, at 50 per cent., £52,500, leaving only £52,500 net. Marginal relief reduces the duty in the second case to £45,000, plus £5,000 margin, or £50,000 in all, and thus leaves £55,000 net, as in the case of the estate of £100,000. Marginal relief is, in fact, a tax of 100 per cent. on that part of the estate which exceeds the value at which the rate changes. What is expressed to be a relief can, therefore, be a most unfair burden as the following example, taken from a case recently encountered in practice, shows.

An Estate Duty Account was prepared carefully (and, as far as could be seen, completely) revealing an estate of £50,100 on which duty of £11,100 was paid (22 per cent. on £50,000 plus £100 margin). Subsequently, the accountants acting for the executors found that the deceased had overpaid income tax for several years before the year in which he died (the repayment claim for the year in which the death occurred had been included in the original Estate Duty Account). A small asset also turned up in the form of a deposit in a building society which was being wound up. In the result the estate was increased by £150 and a Corrective Account was filed. The increased duty payable as a result of this was £150, since the revised aggregate of £50,250 was still within the operation of marginal relief. In addition, interest at 2 per cent. from the date of death to the date of payment had to be found, although the additional assets had been non-income producing during that period. Finally, the accountants' charges in relation to the recovery of the overpaid tax and the legal costs of preparing the Corrective Account both had to be found out of capital but gave rise to no corresponding relief from Estate Duty. The discovery and recovery of the

# EFFECTS UPON ACCUMULATION

The effective rates brought out in Table II, coupled with the even more drastic effect of marginal "relief," are bound to exert a depressing effect on any tendency that might otherwise exist for the accumulation of wealth in individual hands. The cumulative effect of the duties on inherited wealth after successive deaths is obvious. But it is not always appreciated that the principle of aggregation extends this cumulation, in a very marked degree, to the fruits of a deceased person's own savings out of earnings or other income. To bring out this point it is not necessary to consider the exceptional cases where second and even third deaths follow in rapid succession. (A measure of rapid succession relief may be available in such cases but it does not go very far.) The average "generation" for the purpose of succession to property is usually regarded as being in the region of 30 years. It is, therefore, not unreasonable to assume that an estate which first became liable to estate duty in 1895 will have passed again in 1926 and 1949, after the coming into effect of the new duties.

Thus if A, who died in 1896, settled his estate on trust for his son B for life, then on B's son C for life (C being born before A died), with remainder to C's issue, and A's estate amounted to £200,000, if B and C both lived on the income from the trust estate and did not accumulate any free estates of their own and died in 1926 and 1949 respectively, the position is as follows (fluctuations in value of securities, costs, etc., ignored) :

|   |   |         |
|---|---|---------|
| A's estate  | £ | 200,000 |
| 1895 Estate Duty rate 6½ per cent. (no Legacy Duty payable) |   | 13,000  |
|   |   | 187,000 |
| 1925 Estate Duty rate 23 per cent.                          |   | 43,010  |
|   |   | 143,990 |
| Legacy Duty 1 per cent.                                     |   | 1,440   |
|   |   | 142,550 |
| 1949 Estate Duty rate 49 per cent.*                         |   | 69,850  |
| Balance of A's trust remaining after C's death              |   | £72,700 |

\*50 per cent., less 1 per cent. for Legacy Duty paid on B's death.

If, however, B and C accumulated private fortunes of £100,000 and £50,000 respectively, the position is as follows :

|   | Aggregate | A's estate | B's estate | C's estate |
|---|-----------|------------|------------|------------|
|   | £200,000  | £200,000   |            |            |
| A's estate  |           |            |            |            |
| 1895 Estate Duty 6½ per cent.   | 13,000    | 13,000     |            |            |
|   | 187,000   | 187,000    |            |            |
| B's estate  | 100,000   |            | 100,000    |            |
|   | 287,000   |            |            |            |
| 1925 Estate Duty 25 per cent.   | 71,750    | 46,750     | 25,000     |            |
|   | 215,250   | 140,250    | 75,000     |            |
| Legacy Duty 1 per cent.   | 2,152     | 1,402      | 750        |            |
|   | 213,098   | 138,848    | 74,250     |            |
| C's estate  | 50,000    |            |            | 50,000     |
|   | 263,098   |            |            |            |
| 1949 Estate Duty 60 per cent.   | 157,859   | 83,309     | 44,550     | 30,000     |
|   | 105,239   | 55,539     | 29,700     | 20,000     |
| Relief for Legacy Duty paid on B's death (Clause 25 Finance Bill, 1949) | 2,131     | 1,389      | 742        |            |
| Balance remaining after C's death                                       | £107,370  | £56,928    | £30,442    | £20,000    |

additional assets thus left the estate at a smaller net value than it would have had if they had never been discovered.

This anomalous position does not arise only from the operation of marginal relief; it is inherent in the method of graduation that is adopted. Sur-tax is a graduated duty but it does not produce this unfortunate result because its increasing rates are restricted to successive slices of income. Also, the first £2,000 per annum is exempt, however large the total income may be.

## THE EFFECTIVE RATES OF THE DUTY

Since Estate Duty on an estate of £2,000 is nil but on £3,000, at 1 per cent., it is £30, in effect the duty is nil on the first £2,000 and £30 (that is, 3 per cent.) on the next £1,000, and so on. Table II shows the whole range of Estate Duty rates, at the new levels now in force, calculated as effective rates on the successive slices of an estate. The percentages shown therein are true only in so far as the whole of the "slice" in question becomes liable to duty. On the final (incomplete) slice they are even higher and will be 100 per cent. where marginal relief applies.

TABLE II

Showing effective rates of Estate Duty on the successive "slices" of an estate (Finance Act, 1949)

| Estate Duty | £         | Per cent. | Giving total Estate Duty payable | on an estate of |
|-------------|-----------|-----------|----------------------------------|-----------------|
| on first    | £2,000 at | nil       | nil                              | £2,000          |
| on next     | 1,000 "   | 3         | 30                               | 3,000           |
| "           | 1,000 "   | 3½        | 70                               | 5,000           |
| "           | 2,500 at  | 5         | 125                              | 7,500           |
| "           | 2,500 "   | 7         | 175                              | 10,000          |
| "           | 2,500 "   | 14        | 350                              | 12,500          |
| "           | 2,500 "   | 18        | 450                              | 15,000          |
| "           | 2,500 "   | 22        | 550                              | 17,500          |
| "           | 2,500 "   | 26        | 650                              | 20,000          |
| "           | 5,000 "   | 27        | 1,350                            | 25,000          |
| "           | 5,000 "   | 33        | 1,650                            | 30,000          |
| "           | 5,000 "   | 39        | 1,950                            | 35,000          |
| "           | 5,000 "   | 45        | 2,250                            | 40,000          |
| "           | 5,000 "   | 60        | 3,000                            | 45,000          |
| "           | 5,000 "   | 58        | 2,900                            | 50,000          |
| "           | 10,000 "  | 55        | 5,500                            | 60,000          |
| "           | 15,000 "  | 60        | 9,000                            | 75,000          |
| "           | 25,000 "  | 60        | 15,000                           | 100,000         |
| "           | 50,000 "  | 60        | 30,000                           | 150,000         |
| "           | 50,000 "  | 70        | 35,000                           | 200,000         |
| "           | 100,000 " | 70        | 70,000                           | 300,000         |
| "           | 200,000 " | 72½       | 145,000                          | 500,000         |
| "           | 250,000 " | 80        | 200,000                          | 750,000         |
| "           | 250,000 " | 90        | 225,000                          | 1,000,000       |

Thus the duty on an estate of £10,050 is £450 (with marginal relief). This can be expressed as :

|                            |    |    |       |
|----------------------------|----|----|-------|
| First £2,000 exempt        | .. | .. | £ nil |
| Next £1,000 at 3 per cent. | .. | .. | 30    |
| " £2,000 at 3½ per cent.   | .. | .. | 70    |
| " £2,500 at 5 per cent.    | .. | .. | 125   |
| " £2,500 at 7 per cent.    | .. | .. | 175   |
| £50 at 100 per cent.       | .. | .. | 50    |
| Total                      | .. | .. | £450  |

On £10,250, which does not involve marginal relief, it is :

|                               |    |    |      |
|-------------------------------|----|----|------|
| On first £10,000 as above     | .. | .. | £400 |
| On next £250 at 90 per cent.  | .. | .. | 225  |
| Total, £10,250 at 6 per cent. | .. | .. | £625 |

A close study of Table II shows a curious break in the otherwise smooth process of graduation in the vicinity of the £50,000 estate, the rates falling for two successive groups instead of increasing. This seems to be due partly to the 28 per cent. rate in the original table, where 27½ per cent. would seem to be more appropriate.

(It is assumed that the residue of B's free estate passed to C. The smaller amount saved by C. reflects the higher rates of income taxation in this era !)

It is true that the total amount passing to C's issue is greater than it was in the preceding example, but the additional £34,630 is all that is left of the extra £150,000 brought in by the personal efforts of B and C. Further, A and B might have left the reversions in trust for, say, a charity and thus the only amount of which C could have disposed, in favour of his own issue, would have been his own estate of £50,000. Nevertheless, the principle of aggregation, requiring all the property which passes on his death (and in which he has had an interest) to be consolidated for the purpose of fixing the costs of Estate Duty, would still hold and the calculation would be as above, with some minor amendments in regard to Legacy Duty.

#### MEETING THE PAYMENT OF DUTY

It is very easy, on paper, to say that Estate Duty on £150,000 is now 50 per cent., so £75,000 is paid to the Exchequer and £75,000 remains for the beneficiaries. Many accountants in practice will have experienced cases—or, what is perhaps worse, live in daily fear of the case arising—where nearly the whole of such an estate is in shares in one company which the deceased controlled. Without going into the complicated provisions of the Finance Acts which govern the valuation of the shares in such cases it is fair to remark that none of this legislation is directed to the far greater problem of raising the money to pay the duty.

TABLE III

The rates of the Legacy and Succession Duties, abolished by the Finance Act, 1949

| Relationship of the Beneficiary  | Rate of Duty  |  |
|--|---|--|
|  | Death or succession before April 16, 1947 Per cent. | Death or succession on or after April 16, 1947 Per cent. |
| Husband or wife, child or lineal descendant of child, father or mother or any lineal ancestor .. | 1   | 2  |
| Brother or sister, lineal descendant of brother or sister .. .. .                                | 5   | 10   |
| Any other beneficiary (excluding charities) .. .. .  | 10  | 20   |
| Charities .. .. .  | 10  | 10   |

#### NOTES

(1) Certain exceptional rates which are governed by provisions of the Customs and Inland Revenue Act, 1888, and the Finance Act, 1947, are not shown in the above table.

(2) The 1 per cent. or 2 per cent. rates are extended to legally adopted children and their issue and to an adopter, taking under a disposition of his legally adopted child or the issue of such child. As from July 13, 1944, they also extend to an illegitimate child or its issue in respect of benefits from the estate of the mother and to the mother in respect of benefits from the estate of an illegitimate child or its issue.

(3) Under the "nearer consanguinity" rule a person who has been married to another person who is of closer relationship to the deceased, is entitled to the benefit of the lower rate of duty applicable to such nearer relationship.

(4) There are many exemptions from the 1 per cent. (or 2 per cent.) rates, of which the most important is that where the property passing on the death and chargeable with Estate Duty (exclusive of property in which the deceased never had an interest, and property of which he never was competent to dispose and which on his death passes to persons other than his spouse, lineal ascendants or descendants) does not exceed £15,000, no duty is payable by any beneficiary who would otherwise be liable at this rate.

The problem may be anticipated, in suitable cases, by a public issue of some of the shares during the lifetime of the principal holder, who thus puts his estate into a more liquid condition. Public issues (or "introductions") do not always offer a suitable solution, however, particularly in the smaller cases where the problem is the same in essence, if not in degree.

Incidentally, Table II throws considerable doubt on the wisdom of providing for death duties by life assurance. A man whose estate is now £100,000 (liable at 45 per cent.) and who insures for £45,000 will find (or rather, his executors will find) that the additional £45,000 in effect attracts duty at 68½ per cent. and thus only provides £17,500 towards the original £45,000 duty. (In other words, the duty on £145,000 at 50 per cent. is £72,500, which is £27,500 more than the duty insured against !)

#### THE REPEALED LEGACY AND SUCCESSION DUTIES

Table III summarises the rates of Legacy and Succession Duties, now repealed. As this relief is tied up with the increased rates of Estate Duty, an injustice might arise where Legacy Duty has been paid on the capital of a trust before 1949 in such a way as to give rise to exemption on a subsequent death. (For example, where property is settled in succession on persons who are all liable at the same rate, determined by their relationship to the settlor, Legacy Duty has been payable at that rate on the capital and no further Legacy Duty has been payable on the deaths of the life tenants.) Section 29 of the Finance Act gives relief in such cases by allowing the rate of Legacy (or Succession) Duty that has already been paid to be deducted from the rate of Estate Duty now applicable. In some cases this may give rise to a repayment.

#### Example :

X died in 1948 leaving his estate of £10,000 on trust for his brother Y for life, with remainder to Y's son, Z.

On X's death the duties payable would be :

|   |               |
|---|---------------|
| Estate Duty : 4 per cent. on £10,000 .. | £400          |
| Legacy Duty : 10 per cent. on £9,600 .. | 960           |
|   | <u>£1,360</u> |

Ignoring costs and fluctuations in value, the value of X's trust, on the death of Y, will thus be £8,640.

If this is all in trustee securities and Y dies in December, 1949, leaving an estate of £50,000, in addition to the trust property, it would appear that the following calculation will arise :

|   |                |
|---|----------------|
| X's trust .. .. .                               | £ 8,640        |
| Y's free estate .. .. .                         | 50,000         |
| Aggregate fixing Estate Duty at 35 per cent. .. | <u>£58,640</u> |

#### Estate Duty payable :

On X's trust at 35 per cent., less 10 per cent. =

25 per cent. on £8,640 .. .. . £2,160

On Y's free estate : 35 per cent. on £50,000 .. £17,500

If, however, Y had had no free estate, then a repayment will arise, as follows :

Value of X's trust on Y's death .. .. . £8,640

Estate Duty on £8,640 at 4 per cent. would be £385 12s.

As Legacy Duty was paid at 10 per cent. on X's death, the Estate Duty otherwise payable on Y's death is treated as having been satisfied and there will be a repayment of :

|   |                 |
|---|-----------------|
| Legacy Duty paid on X's death .. .. .         | £960            |
| Less : Estate Duty treated as satisfied .. .. | 385 12 0        |
|   | <u>£574 8 0</u> |



It will be noted that this is more than 6 per cent. on £8,640 (which would be £518 7s.) and that seems to follow from the different method of calculation. In the first example the 10 per cent. reduction in the rate of Estate Duty is applied to a net figure of £8,640, whereas the 10 per cent. Legacy Duty already paid, which is taken into account in the second example, was calculated on £9,600 (i.e., X's estate after paying Estate Duty but before paying the Legacy Duty itself.)

#### THE COMBINED EFFECTS

Table IV enables a comparison to be made of the combined effects of the repeal of Legacy and Succession Duties and the increases in Estate Duty. The comparison has been made for some representative values of estates in what may be regarded as the lower, middle and higher ranges. In the lower ranges, the total liability is reduced, the reduction being substantial where the higher rates of Legacy Duty would have applied. In fact, it is apparent at a glance that the widow and children of a deceased very definitely get the wrong end of the stick in the present proposals. Such a result is, of course, inevitable in the substitution of a flat rate of Estate Duty for a graduated rate of Legacy Duty which had regard for the relationship of the beneficiary to the testator.

Table IV might appear to indicate that the "two percenters" are no better off in any range of the table. That is not so, however, for the rates of Estate Duty remain unchanged up to £17,500, whereas liability to Legacy Duty at 2 per cent. used to start at £15,000. At £17,500, therefore, the position is:

Old scale: 10 per cent. on £17,500 = £1,750  
 Legacy Duty: 2 per cent. on £15,750 = 315  
 New scale: Estate Duty: 10 per cent. on £17,500 = 1,750

There is thus a net reduction in death duties of £315 at this point. This is the maximum relief possible in column A, for below that the Legacy Duty is less than £315 while the Estate Duty is the same, whereas above that point the additional Estate Duty (with marginal relief) is 100 per cent. on the increment up to £17,847 14s. 7d. (see Table I) or 26 per cent. on the increment over £17,847 14s. 7d. (see Table II) which in each case is considerably in excess of the 2 per cent. duty saved. In the B and C columns also a similar but less involved argument will show that the maximum benefit is obtained at the £17,500 level.

The greatest relief is naturally obtained where the beneficiaries,

being of more remote relationship than brothers or sisters of the deceased and their issue, would have been liable to Legacy Duty at the highest rate of 20 per cent. It might be thought (before referring to Table IV) that since the greatest addition to the Estate Duty rates is 20 per cent., such beneficiaries would always be better off. It must be remembered, however, that Estate Duty is calculated on the gross estate, whereas Legacy Duty applies to the net amount remaining in the residue. Thus in the higher ranges of the table the additional Estate Duty much more than offsets the relief from Legacy Duty.

The calculations in Table IV assume that the whole of the estate passes to one residuary legatee and that there are no other legacies to be provided for before the residue is ascertained. Where that is not so, the effect of the changes is much more pronounced, particularly where the general legacies are not free of duty. To take a rather extreme example, if A out of an estate of £100,000 left £50,000 to B (his cousin) absolutely and the remainder to a charity, the position is:

|                                |          |  |
|--------------------------------|----------|--|
| Old scales: A's estate         | £100,000 |  |
| Less: Estate Duty 30 per cent. | 30,000   |  |
|                                | 70,000   |  |
| B's legacy                     | 50,000   | on which B paid 20 per cent. Legacy Duty £10,000 |
|                                | 20,000   |  |
| Residue                        | 20,000   |  |
| Less: Legacy Duty 10 per cent. | 2,000    |  |
|                                | 18,000   |  |
| Net benefit to charity         | £18,000  |  |
| New scales: A's estate         | 100,000  |  |
| Less: Estate Duty 45 per cent. | 45,000   |  |
|                                | 55,000   |  |
| B's legacy                     | 50,000   | (no Legacy Duty payable)                         |
|                                | 5,000    |  |
| Residue available for charity  | £5,000   |  |

Thus the effect of the proposals is to increase B's benefit by £10,000 but to reduce that of the remainderman (the charity) by £13,000.

TABLE IV

#### COMPARISON OF TOTAL DEATH DUTIES PAYABLE BEFORE AND AFTER THE 1949 PROPOSALS CAME INTO EFFECT

(It is assumed that the whole of the residue of the estate passes to a person or persons liable to the same rate of Legacy Duty and testamentary expenses other than Estate Duty are ignored)

Legacy or Succession Duty Groups—A 2%, B 10%, C 20%

| Principal value of estate | Previous duties |         |                           |        |        |         |         |         | New duty (Estate Duty only) at the revised rates | Increases or reductions according to Legacy or Succession Duty Group, with percentage of such increase or reductions to previous total |          |    |          |    |          |    |  |
|---------------------------|-----------------|---------|---------------------------|--------|--------|---------|---------|---------|--|--|----------|----|----------|----|----------|----|--|
|                           | Estate Duty     |         | Legacy or Succession Duty |        |        | Total   |         |         |  | A  |          | B  |          | C  |          |    |  |
|                           |                 | Amount  | A                         | B      | C      | A       | B       | C       |  |  |          |    |          |    |          |    |  |
|                           | £               | %       | £                         | £      | £      | £       | £       | £       | %  | Amount £   | Amount £ | %  | Amount £ | %  | Amount £ | %  |  |
| 5,000                     | 2               | 100     | exempt                    | 490    | 980    | 100     | 590     | 1,080   | 2  | 100  | —        | —  | 490      | 83 | 980      | 91 |  |
| 10,000                    | 4               | 400     | "                         | 960    | 1,920  | 400     | 1,360   | 2,320   | 4  | 400  | —        | —  | 960      | 71 | 1,920    | 80 |  |
| 20,000                    | 10              | 2,000   | 360                       | 1,800  | 3,600  | 2,360   | 3,800   | 5,600   | 12   | 2,400  | 40       | 2  | 1,400    | 37 | 3,200    | 57 |  |
| 50,000                    | 22              | 11,000  | 780                       | 3,900  | 7,800  | 11,780  | 14,900  | 18,800  | 31   | 15,500   | 3,720    | 32 | 600      | 4  | 3,300    | 18 |  |
| 100,000                   | 30              | 30,000  | 1,400                     | 7,000  | 14,000 | 31,400  | 37,000  | 44,000  | 45   | 45,000   | 13,600   | 43 | 8,000    | 22 | 1,000    | 2  |  |
| 250,000                   | 45              | 112,500 | 2,750                     | 13,750 | 27,500 | 115,250 | 126,250 | 140,000 | 60   | 150,000  | 34,750   | 30 | 23,750   | 19 | 10,000   | 7  |  |
| 500,000                   | 55              | 275,000 | 4,500                     | 22,500 | 45,000 | 279,500 | 297,500 | 320,000 | 65   | 325,000  | 45,500   | 16 | 27,500   | 9  | 5,000    | 2  |  |
| 1,000,000                 | 65              | 650,000 | 7,000                     | 35,000 | 70,000 | 657,000 | 685,000 | 720,000 | 75   | 750,000  | 93,000   | 14 | 65,000   | 9  | 30,000   | 4  |  |

# Simon's Income Tax\*

IT WAS IN THE YEAR 1909 THAT AN ARTICLE by a young economist appeared in the *Economic Review* under the title *Economic Aspects of Income Tax Change*. The following extracts indicate the author's line of thought:

Attention to the individual, as an interference with the main system, has grown slowly but surely until it has assumed serious dimensions, threatening the tax with Continental complexity. At first it was required only for exemption and simple abatement. Then life insurance allowances were made contingent upon total income showing a certain minimum proportion. Following on, the range of abatements was twice extended. . . . Then came differentiation with its income limit, and now the allowance for children has a similar restriction, while, with the Super Tax, attention to the individual and to the amount of total income becomes universal and compulsory. The total income governs three rates and a super rate. . . . Thus gradually has the system lost the impersonal and gained the personal—one might almost say subjective—aspect.

The author then expressed the opinion that the development of this "subjective" treatment was likely to lead to excessive complications and ultimately to the breakdown of the fiscal machine.

Within a brief period of ten years the writer had risen to fame and Sir Josiah Stamp, as he then was, delivered the Newmarch lectures for 1919. In the course of these he referred to his earlier views in the following words:

But I had not sufficient prescience to recognise that the old machine might be patched and patched and still roll groaning along its way with added complications but without actually breaking down.

Now, in this year of grace 1949, it is possible to survey in retrospect the developments of the "subjective aspect." If Lord Stamp were alive to-day, it seems probable he would readily admit that in 1919 he had no conception of the magnitude and extent of the changes which would occur in three decades. Certainly his reference to "the old machine" suggests that already in 1919 he considered that the strain was approaching breaking point.

It is all the more a matter for amazement that final collapse has been averted. The Consolidation Act of 1918 has been subjected to addition and amendment by some forty Acts of Parliament, creating a veritable maze of legislation by reference. Add to this

the fact that judicial interpretation now extends to thirty volumes of reports, and the magnitude of the task confronting those who are concerned with the practical application of the law is readily apparent.

In these circumstances, the appearance of a new Income Tax Service is particularly well timed. As a hall mark of quality it bears the title of *Simon's Income Tax*, and Viscount Simon himself is the Editor-in-Chief. The Editorial Board comprises two King's Counsel, Sir Roland Burrows and Mr. Cyril King; Mr. Hilary Magnus, Barrister-at-Law; two Fellows of the Institute of Chartered Accountants, Mr. Brian Manning and Mr. Michael Moore; and a member of the Society of Incorporated Accountants, Mr. James S. Heaton, A.S.A.A.

The early promise of comprehensive authoritative and yet practical exposition is reinforced and confirmed by the list of contributors to each of the three main volumes. The law, accountancy and the Inland Revenue Department are all represented and frequently combine in the compilation of the text.

It is impossible within the scope of this review to cite more than a few examples of the guidance which the work affords on particular problems, not only in the interpretation of the law but also by exposition of the practice. In this connection, under the heading "Basis of Assessment—Accounting Periods" the law relating to changes in accounting rates is briefly summarised, and thereafter several examples are given of the practice which the Board of Inland Revenue has developed under Section 34 of the Finance Act, 1926, as amended by Section 14 of the Finance Act, 1930. In all ordinary cases where a permanent change in accounting date is under consideration, these examples should enable the auditor to estimate closely the effect of the change in terms of tax.

Again, under the title "The Treatment of Stock" there is a most valuable review of methods of valuation of stock for taxation purposes, both generally and in particular circumstances, such as cessation, change in ownership, etc.

The various personal allowances and reliefs are matters of daily routine, but particular problems do arise in exceptional cases. Part XVI (in Volume 3) contains a comprehensive review of all types of claims, including illustrations of the calculations which are necessary when the "marginal" provisions operate. Much valuable time will be saved by reference to these practical examples. The same section also covers the

Double Taxation Convention and Dominion Income Tax Relief; the methods of calculation are clearly set out.

Turning to an aspect which is engaging much attention at the present time, the provisions of Part IV of the Finance Act, 1948—Expenses Allowances—were considered in Supplement No. 2 and now appear in the Service Volume. Inevitably, much still remains to be said on this troublesome problem, but an early review of new legislation of this type relieves the practitioner of long and painful study of elaborate sections, which can only be understood by reference to those which they amend.

One of the best features of the work is an index which, itself, extends to nearly two hundred pages and which will readily enable the practising accountant to track down the particular point on which he seeks enlightenment.

The need was clamant, the labour in satisfying it must have been immense, but it has been carried out with skill and competence by a well-chosen team. It will afford both comfort and confidence to accountants to know that such a combination of experience and knowledge will be constantly available to afford guidance on the taxation problems that commonly arise in daily practice. A. STUART ALLEN.

## Taxation Notes

### Reversionary Interests Specifically Bequeathed

A POINT RECENTLY ENCOUNTERED in practice illustrates a trap into which personal representatives may fall if they are not correctly apprised of the liability of the estate for death duties on a reversionary interest. It is, of course, well known that where an estate includes such an asset the personal representatives have an option in regard to the payment of the estate duty. In either case the reversion has to be valued as at the date of death (this value normally being the principal value of the property concerned, less the actuarial value of the life interests which still exist) in order to include it in the aggregate which fixes the rate of estate duty. Payment of the duty, however, on this part of the estate may either be made at once ("commuted") or postponed until the reversion falls into possession. Where the latter course is followed, the duty ultimately payable will be determined by the value of the property falling into possession—which will normally be higher than the value at the date of death, as there is no life interest to deduct—and

\**Simon's Income Tax*. Editor-in-Chief, The Right Hon. Viscount Simon. Five volumes. (Butterworth & Co. (Publishers) Ltd., London. Price £15 15s. net. Loose-leaf Service £2 12s 6d per annum)



this increase may cause a higher rate of duty to apply (if so, the duty already paid on the remainder of the free estate is not disturbed). On the other hand, where it seems probable that many years must elapse before the property falls into possession, it is perhaps more usual to postpone payment of the duty than to commute, for, when payment is postponed, interest on the estate duty runs only from the date of the falling into possession. There may, therefore, be a substantial saving in interest under this alternative.

The incidence of the duty on the reversion depends on the nature of the property. If real estate is concerned, it will attach to the property itself and the point which is here being considered will not arise. Where, however, the settled fund which falls in has been invested in trustee securities, it is essentially personalty and as it is part of the deceased's free estate, the estate duty payable in respect of it is a testamentary expense to be borne out of the general residue of his personal estate. Suppose now that a testator, X, by his will left his reversionary interest in the estate of Y to his niece, Z, absolutely. The residue of his estate he left to his widow, W, absolutely. The position here is that whether the executors commute or postpone payment of the estate duty on the reversion, it will have to be paid out of the residue before the amount due to W can be determined. If, therefore, they elect to postpone payment they will be unable to wind up the estate so far as W is concerned until the reversionary interest falls in, which may not be for very many years. In these circumstances it would seem that the only reasonable course is to commute the payment of the duty.

### Committee on Taxation and Overseas Minerals

Clause 18 of the Finance Bill extends the operation of Part III of the Income Tax Act, 1945, to "capital expenditure incurred by any person in connection with the working of a mine, oil well or other source of mineral deposits of a wasting nature outside the United Kingdom." In the course of the debate, the Government were asked to publish the report of the Departmental Committee which was set up to consider this matter and whose findings have given rise to this useful clause in the Bill. This report (Command 7728) has now been published. (His Majesty's Stationery Office, Price 6d. net.) It provides a compact discussion of the principles involved in the taxation of the profits from what, in broad terms, may be called "mineral rights." To put this issue in true perspective it must be remembered that Part III of the Income Tax Act, 1945, gives a measure of relief for capital expenditure incurred by any

person in connection with the working of a mine, oil well or other source of mineral deposits of a wasting nature, but it specifically excludes, *inter alia*:

- (1) Any expenditure on the acquisition of the site of the source or of the site of any such works as aforesaid or of rights in or over any such site.
- (2) Any expenditure on the acquisition of or of rights in or over the deposits.

Accountants will recognise that the legal principle involved here is that embodied in the company law case of *Lee v. Neuchatel Asphalt Co.* and that

if a company is formed to acquire or work property of a wasting nature, for example, a mine, quarry or patent, the capital expended in acquiring the property may be regarded as sunk and gone, and if the company retains assets sufficient to repay its debts in excess of money obtained by working the property over the cost of working, it may be divided amongst the shareholders.

It will be observed from this quotation from the judgment of Linley L. J., delivered in 1889, that it was not then considered necessary to say that the profits may be divided amongst the Government as well as the shareholders, the former taking the lion's share!

The Departmental Committee was appointed:

To consider whether any handicap is placed upon United Kingdom mining concerns by the absence from the United Kingdom taxation system of allowances for capital expenditure on the acquisition of overseas mineral sources or of rights to work overseas mineral deposits, whether such allowances should be introduced and, if so, what form a scheme of allowances should take.

It will be observed, therefore, that the only consideration that has influenced the proposed departure from the fundamental rule is the question of expediency in regard to competition from concerns registered in other countries where the taxation laws on this point are not so strict. It is not possible to review briefly all the arguments considered by the committee. However, they had, in effect, to come to decisions on three questions:

- (a) Would a special allowance to concerns operating mines abroad be advisable; and
- (b) If so, should it apply only to expenditure made after a certain date or should the previous expenditure be taken into account?
- (c) How should the "expenditure" be calculated?

The first two questions were answered in the affirmative, with the reservation under (b) that for expenditure incurred before April 6, 1949 (which is, for the purpose of this clause, "the appointed day") no

allowance will be given for the output that has already been obtained. In short, the new allowance is a depletion allowance covering the proportionate part of capital expenditure included in minerals, etc., extracted after the appointed day, whether that capital expenditure was incurred before or after that date.

The Bill also gives effect to the recommendations of the committee in that the allowances are to be limited to the cost of the mineral rights to the first owner who was a United Kingdom resident or a United Kingdom controlled company. This part of the report summarises succinctly the general principles involved:

To give an allowance in respect of a capital sum paid to a person who is not resident in the United Kingdom for a source of income represented by overseas mineral rights that have never before been in the ownership of a United Kingdom resident involves no unjustifiable loss to the United Kingdom Exchequer; for previously both the owner of the rights and the rights themselves—and, therefore, the income from the rights—were wholly outside the United Kingdom tax jurisdiction, and the tax allowance would be given against the profits that by the sale are brought within that jurisdiction. But once overseas mineral rights have come into the ownership of a United Kingdom resident they represent a source the income from which is within the charge to United Kingdom tax and, so far as surpluses on any subsequent sales to United Kingdom residents are concerned, fall within the principle expressed by the Royal Commission that there should be no allowance for capital expenditure incurred in the purchase of a right to income. If this principle were not applied, then (unless other remedial steps were taken) serious anomalies might result and an unjustifiable loss of revenue might be sustained. We illustrate the point by an example. Suppose Company A, resident in the United Kingdom, buys from a foreign resident for £100,000 the right to exploit a foreign mineral-bearing area and, after having spent a further £200,000 on development, mining "works" and plant, all qualifying for depreciation allowances, proceeds to extract the minerals, realising over their life a profit, before deducting allowances for depletion or depreciation, of £1 million. Assuming a depletion allowance on the lines we recommend, the Revenue would obtain in the aggregate tax on £700,000 (£1 million less £300,000).

Now suppose that instead of working the minerals itself Company A (not being a company engaged in dealing in mining rights) had sold the rights to another United Kingdom Company, B, for £200,000 and that Company B, after spending the same further £200,000 on development, "works" and plant, had made the same gross profit of £1 million. If a depletion allowance to B were limited, as we suggest, to the cost of the mineral rights to A (the first United Kingdom resident to own them) the Revenue would still receive tax on £700,000. But if,



as has been suggested by others, a depletion allowance were based on the actual cost of the mineral rights to B, the Revenue would receive tax only on £600,000 (£1 million gross profit less depreciation and depletion £400,000). Tax on the £100,000 profit made by A—in effect the capitalised value of anticipated profits—would be lost.

This position could be remedied by a provision making chargeable to United Kingdom tax, as such, any profits arising from the sale of overseas mineral rights by United Kingdom residents, and we should regard it as an inevitable condition of allowance on the "full cost" basis that tax on such profits should be so secured to the Revenue.

In a case like that which we have cited, however, we see no sufficient reason for such a change in the law. On our basis the bargain between Company A and Company B will be transacted in the knowledge that A's profit will not be liable to tax while B will not be able to write off that part of its expenditure corresponding to A's profit. If A's profit were made liable to tax and an equal amount made subject to allowance in B's hands the result to be expected would be that the price would be increased by an amount broadly representing the tax on the profit, with no ultimate advantage to anybody.

The last sentence appears to contain a tacit admission of the inflationary effect of taxation.

It must, of course, be emphasised that neither the report of the committee nor Clause 18 of the Bill proposes any depletion allowances where the mine, etc., is situated in this country. The legal conception of capital and revenue in regard to land and interests in land, therefore, remains inviolate, except in this one case where principle is over-ruled by expediency.

### The Budget Debates

Those accountants (and they must these days be few) who have the time and inclination to read the full reports of the proceedings on the Finance Bill will find little that will add to their knowledge of taxation law and practice. Of all the Bills that are ever introduced into the House of Commons the annual Finance Bill must be the one in regard to which the personal opinions of the members (of whatever party) have the least weight. The debate, therefore, tends to roam over the whole field of economics and political science, in the knowledge that whatever amendments may be proposed only those of a very minor nature introduced by, or acceptable to, the Government can possibly stand any chance of success.

The proceedings on those Clauses of most interest to accountants can be summarised as follows:

The following amendments were accepted during the Committee stage:

(a) In Clause 16 (2), which deals with

capital expenditure on scientific research, the words "on the provision of machinery or plant" are to be deleted so that the acceleration of the allowances will now apply to all expenditure that is within Section 28, Finance Act, 1944.

(b) In Clause 16, which increases the initial allowance in respect of machinery or plant from one-fifth to two-fifths, a new sub-Clause (4) has been added to allow the new 40 per cent. allowance to apply to the instalments of the purchase price of a ship that became payable before April 6, 1949, provided that the ship was delivered on or after that date. But for this amendment Section 64 of the 1945 Act would require the expenditure to be regarded as having been incurred when each instalment was paid. The anomalous position might, therefore, have arisen of part of the total cost being allowed at one rate and part at another.

(c) In Clause 19, which deals with the deduction of interest payable abroad in computing profits, provided that five distinct conditions are fulfilled, the second of these is amended so that the payment of the interest need only be "mainly" secured upon assets outside the United Kingdom.

(d) Clause 25 (1) (a): The word "successive" is deleted. This apparently is a drafting correction.

Of the many amendments which were not approved, one which appeared in some respects to receive most considerate attention from the Government was that which sought to assess sur-tax upon taxable income instead of on total income; or, in other words, to ensure that the personal and similar allowances should be a deduction from statutory income for all purposes. This matter had been raised on the 1948 Finance Bill and the Financial Secretary to the Treasury was reminded that he had then said that: "logically, there is an excellent case for giving these allowances in respect of sur-tax in the same way as they are given in respect of ordinary income tax."

What must almost be regarded as a "hardy annual" came up in the form of "the special hardship which, under the present income tax, married couples have to face." Some members appear to have gone to the length of suggesting that people would rather live in sin than pay tax under the present system. Incidentally, it was admitted by the Financial Secretary to the Treasury that the special allowances granted in regard to married women's earned income were necessary "to induce them to

go out to work because it was found that where their incomes were added to those of their husbands the income tax which had to be paid was a deterrent."

Some members sought to obtain more liberal treatment for tax purposes of businesses incurring heavy replacement costs, but they did not succeed. During this part of the debate several quotations were made from the speech given at the Society's recent annual general meeting by Sir Frederick Alban, immediate Past-President of the Society of Incorporated Accountants, on the subject of replacement and historical costs.

### Committee on Taxation of Trading Profits

The Committee draws attention to its terms of reference:

To inquire into the method of computing net trade profits for the purpose of charging them to Income Tax and to consider the question of the basis period to be taken in assessing the tax on the profits so ascertained; to inquire into the method of computing net profits for the purpose of charging them to Profits Tax; and to report upon any alterations of the tax law which may be desirable.

The Committee will receive representations, which in the first place should be written, from any person or body of persons on the matters which it will have to consider. These will include, among others, the following:

- (1) To what extent sums now included in computing profits should not be so included;
- (2) To what extent sums now disallowable as deductions in computing profits should be allowed;
- (3) To what extent the present bases of depreciation allowances should be altered;
- (4) Whether the principle of disallowing any expense of a capital nature in the computation of taxable profits should be relaxed to any extent;
- (5) Whether any special rules are required for the valuation of trading stocks;
- (6) As regards income tax, whether the tax payable should be assessed as at present on the preceding year's profits, or on an average of a number of preceding years' profits, or on the actual year's profits.

Communications should be sent to the Secretary, E. R. Brookes, New Wing, Somerset House, W.C.2.

Notes entitled *International Tax Surveys, Double Taxation—(I) Negotiations and Agreements and Double Taxation—(II) Guide to Reliefs* appear on page 199.

# Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT., Barrister-at-Law

*Sur-tax—Settlement—Covenant to pay annually such a sum as after deduction of tax would leave a sum equal to net amount of dividends received from a company—Settlor in control of company—Whether terms of settlement such that settlor could revoke or otherwise determine it—Finance Act, 1936, Section 21—Finance Act, 1938, Section 38 (1), (2).*

*Wolfson v. C.I.R.* (House of Lords, April 8, 1949, T.R. 121) was noted in our issues of March and July, 1948. In the House of Lords the decisions of the lower Courts were unanimously affirmed, with the result that there is a serious loophole revealed in Section 38 of the Finance Act, 1938. Sub-Sections (1) and (2) of that Section deal with cases where there is a power "to revoke or otherwise determine the settlement" by "any person" which, if exercised, would result in the settlor or the husband or wife of the settlor deriving benefits or being relieved from making covenanted payments. Each of these sub-sections commences with the words: "If and so long as the terms of any settlement are such that," and it is these words which proved fatal to the Revenue case.

The appellant and two of his brothers made a deed of covenant in favour of their sisters whereby each settlor was to pay annually to trustees for seven years such a sum as after deduction of tax would leave a sum equal to the net aggregate dividends received by him during the previous twelve months from a certain company. The other provisions of the deed need not be considered for present purposes. The appellant claimed to deduct his gross covenanted sum for sur-tax. The company in question had a capital of £1,000 in £1 shares, of which 700 were held by the appellant, 100 by each of two brothers and 100 by the trustees of another settlement. It was, therefore, within the power of the appellant as majority shareholder to decide what dividends, if any, should be distributed by the company and, if he thought fit, preclude any distribution during the covenanted period. It was, in fact, entirely at his discretion what should be the income of the settlement. In addition, as the holder of seven-tenths of the shares, he could with the co-operation or abstention of another shareholder secure the winding-up of the company and so cause the source of the trust fund to disappear.

It was conceded that the settlement consisted of the deed of covenant alone; and although it was apparent that the appellant could do in effect what sub-

Sections (1) and (2) were specifically intended to prevent, their Lordships were unanimous that his power was one extraneous to and not within the terms of the settlement. A curious feature of the resultant position is that a settlement is not to be regarded as "revoked or otherwise determined" if the covenanted annual sum is reduced to nil by the exercise of such a power. The settlement remains but has become disembodied.

*Estate Duty—Life interest under settlement—Formation of private unlimited company—Transfer to company of life interest in consideration of annuity—Whether property passed on death of tenant for life. Finance Act, 1894, Section 1, Finance Act, 1900, Section 11—Finance Act, 1930, Section 35—Finance Act, 1940, Section 43.*

*Attorney-General v. St. Aubyn* (K.B.D., May 4, 1949, T.R. 139) was a case where a curious argument was put up in regard to Section 43 (1) (a) of Finance Act, 1940. The object of the whole section was to preserve the Crown's claim for estate duty upon the death of a life tenant or annuitant whose interest had been terminated within a stated period or where the life tenant or annuitant retained or acquired some benefit or interest out of the transaction. In the present case reliance was placed on the opening words of Section 43 (1) (a): if apart from the disposition or determination the property in which the interest subsisted would have passed on the death; and it was argued that the words "if apart from the disposition" indicated that the disposition must be one which had affected the passing on death and, consequently, as the position in the case under review from the point of view of passing on death was the same before as after the disposition, Section 43 had no application. Croom-Johnson, J., rejected this view as being "highly artificial."

*Income tax—Divorce proceedings—Annuity for maintenance of wife—Draft deed of covenant prepared by wife's solicitors providing for "such a sum as after deduction of income tax at the rate of not more than 7s. 6d. in the £ shall represent £1,000 per annum"—Draft deed altered by husband's solicitors to "the sum of £1,000 per annum free of British income tax up to but not exceeding 7s. 6d. in £"—Alteration accepted—Whether deed can be rectified—Income Tax Act, 1918, General Rules No. 23 (2).*

In *Whiteside v. Whiteside* (Ch. D., March 11, 1949, T.R. 111) the point at issue was that shown in the heading. The unfor-

tunate mistake was due to the former practice of the Divorce Court to make Orders free of tax where so desired. This misled the husband's solicitors who apparently did not realise that what could be done by an Order was made void in the case of agreements by General Rule 23 (2) of the Income Tax Act, 1918. The husband, however, had not at any time sought to take advantage of the mistake. It was the sur-tax authorities who, when they grasped the position, refused to allow the husband any greater deduction than his legal liability to pay £1,000 per annum gross. In order to rectify the position, on March 30, 1948, the husband executed a supplemental deed whereby he agreed that the deed should be treated as rectified *ab initio*. As from the date of the supplemental deed the wife and the trustees of the agreement had no interest in the matter, which became one only between the husband and the Revenue; and the only way in which the rectification of the deed could be made retrospective was by Court Order rectifying the principal deed.

This Order Harman J., refused to make upon two grounds. He said that the covenantor had already received on any view all that she was entitled to and that the covenantor had not, in any way, failed to pay it. The parties required no relief. What was wanted was a side wind to help the plaintiff against the Revenue. The second ground was, to put the matter shortly but inadequately, contained in the following passage of the judgment:

When you find that in the interim between the agreement and the execution of the deed . . . words have been deliberately rejected by the consent of the parties, then it seems to me, if you are to rectify it, it must be on a principle different from any I have heard of in connection with rectification.

Referring to a judgment of Mr. Justice Bennett in which he expressed great doubt what exactly the words "free of tax" did mean, his Lordship said he was visited by the same troubles on that score. Nevertheless, there could not have been, it is suggested, a clearer case upon this point. Not only was the intention of the parties absolutely plain but their conduct had been in accordance. In *Burroughs v. Abbott* (1922, 1 Ch. 86), a case discussed and distinguished, a mistake of law of identical character was rectified. The only difference was that the mistake had been made by the conveyancer to the Court who had to translate the Court order into a deed. In the present case the Revenue had declined an invitation to be joined as a party; and the reader of the report is left to conjecture whether if, in the interests of manifest justice, it had taken a more benevolent interest, rectification would have been made.



*Income Tax—Tax-free annuity—Will executed before but testator dying after September 3, 1939—Order of Court of Appeal in similar case that annuity restricted by Section 25 of Finance Act, 1941—Similar order in present case made without argument on basis of Court of Appeal decision—Subsequent decision of House of Lords in another case over-ruling Court of Appeal decision—Whether parties in present case estopped from re-opening matter by principle of res judicata.*

In *re Koenigsberg* (Court of Appeal, March 18, 1949, T.R. 181) was noted in our issue of March last. The decision of Roxburgh, J., that the principle of *res judicata* precluded a re-opening of the matter was unanimously reversed, it being held that the facts of the case did not bring it within the rule. The following from the judgment of Evershed, L.J., reflects the attitude of the Court :

In a case in which it is alleged that beneficiaries under a will are estopped from putting forward their real claims *though the estate is not distributed*, I feel that the Court should be satisfied with reasonable certainty that the doctrine does, in truth, apply. (The italics are the present writer's.)

*Estate Duty—Trust estate—One half divided into two equal shares—One share to be held for children of A existing at date of deed or born during period of trust—Other share to be held similarly for children of B—Direction to accumulate surplus income—Trust fund to be transferred to beneficiaries on attainment of specified age—Ultimate trust as settlor might direct by will or codicil—Disposal of residue of settlor's estate by will and codicils—Death of settlor before expiry of accumulation period—Whether share together with accumulations passed on settlor's death—Accumulations Act, 1800, Section 1—Finance Act, 1894, Section 1.*

In *Lord Advocate v. Smith's Trustees* (Court of Session, Outer House, April 8, 1949, T.R. 133), the main facts were those stated in the heading. In the event of B not having any children, an event which happened, his share was to go to swell the trust for the children of A. As the maximum period of accumulation under Section 1 of the Accumulations Act 1800—now represented by Section 164 of the Law of Property Act, 1925—was the life of the settlor, the provision for accumulation became void on his death, and the income of B's share became payable to the settlor's residuary legatees. The Revenue claimed that there was a "passing" within the meaning of Section 1 of the Finance Act, 1894, and that estate duty was payable on the settlor's death upon B's children's share, including accumulations of income. B had died on January 5, 1945, without lawful issue.

Lord Blades found in favour of the Revenue's claim and the decision is in line

with the English case, *re Bourne's Settlement Trusts* (1946, 1 All E.R. 411). As these cases are of considerable importance in relation to settlements for the benefit of children, the following extracts from his judgment will probably be useful :

Where the direction to accumulate income ceases to be valid on the death of the deceased, and the persons for whose benefit the income was being accumulated prior to the death are not the same persons as those who are entitled after the death, there is a "passing" of the trust fund including the accumulations, in terms of Section 1 (of Finance Act, 1894).

It is the "change of hands" into which the property comes that is the occasion of the tax, whether the property is settled or not, and what is taxed is, *prima facie*, the value of the property itself, and not that of the interest in it which passes.

*Estate Duty—Gifts inter vivos—Dates of gifts—Cheques drawn more than three years before death of donor but presented within three years—Finance Act, 1894, Section 2 (1)—Finance (1909-10) Act, 1910, Section 59.*

In *re Owen* (Ch.D., March 31, 1949, T.R. 189), the deceased had died upon June 1, 1944, and the question was whether three gifts had been made within three years of the death. On March 12, 1941, deceased instructed his solicitors to sell securities and to pay part of the proceeds to his sister, part to a niece and part to a nephew. The sale was on March 29, 1941, and the proceeds, £17,000, were paid to the solicitors' account. It seems that the solicitors, instead of making payments according to instructions, considered it preferable that the deceased should sign the cheques himself, and so, on May 21, 1941, they paid the money into a new account opened at deceased's bank; and their cheque was cleared upon the following day. The deceased then drew cheques in favour of the beneficiaries, all of which were presented after June 1, 1941. Upon behalf of the trustees of the deceased's will it was claimed that (a) the instruction to the solicitors created a valid trust, save as to £3,000 of the £17,000, which was to go to the deceased's account, or (b) that the whole arrangement constituted an equitable assignment of the £14,000 made when he signed the cheques which the bank manager had drawn for his signature and gave the latter to understand that a debt of that amount had been made over to his relatives.

Romer, J., after examining the position in the light of the authorities, held that it was one of the innumerable occasions upon which incomplete gifts have been sought to be interpreted in such a way as to achieve the validity otherwise lacking. He held that it was by cheques alone the deceased intended to pass the benefit and pass the

property. He rejected both of the arguments relied on and held that the gifts were not effectual until the cheques were cleared and the money came into the donees' banking accounts.

*Income Tax—Appellant company U.K. subsidiary of U.S.A. company—Legal proceedings in U.S.A. against both companies for infringement of the anti-trust laws—Fines paid by appellant company—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3 (a).*

In *Cattermole v. Borax and Chemicals, Ltd.* (K.B.D., May 10, 1949, T.R. 195), the appellant company was the wholly-owned subsidiary of a U.S.A. company, and against both companies as well as other companies in the borax industry an indictment had been preferred in California alleging violations of the anti-trust law. The appellant company, to comply with the wishes of the principal company, submitted voluntarily to the jurisdiction of the Californian Court, and, in view of the grave consequences to it which might have followed conviction, the latter company was extremely anxious to come to a settlement. This would, of course, have to include all those referred to in the indictment. In the end the appellant company paid a fine of \$10,000 and a further fine of \$6,000 was imposed on its managing director. In addition to these amounts £500 expenses were incurred in connection with the managing director's visit to U.S.A. in connection with the matter, and £28 in London for legal advice. All these amounts were claimed as deductions as being wholly and exclusively expended for the purposes of the appellant company's trade; and the General Commissioners had found to that effect. Croom-Johnson, J., reversed their decision.

He said that he could see no distinction in law between penalty proceedings in an American Court or in an English Court; but he did not decide the case upon the grounds of the decisions in *C.I.R. v. E. C. Warnes and Co., Ltd.* ((1919), 12 T.C. 227) and *C.I.R. v. Alexander von Glehn and Co., Ltd.* ((1920), 12 T.C. 232). The Commissioners had found that the appellant company had no source of supply of borax other than the U.S.A. company, that it was in short supply generally, and that its actions in the matter were in order to avoid the risk of its supplies being interrupted or stopped. As regards this finding, the Judge said, *inter alia*,

But when one is asked to say that the \$16,000 were wholly and exclusively expended in order to get the supplies. . . . It was one of the reasons it was paid, but it manifestly was not the only reason. . . .



leaves out of consideration the dominant feature of the case . . . the paying of a sum of money by way of compromise of legal proceedings, irrespective of any particular trade which was being carried on by the respondent in London.

He held that the £500 followed the \$16,000; but as to the £28 for legal advice, "it would be extremely difficult to hold that a sum of money paid by the directors in London for legal advice as to what they should do is

not an expenditure connected with their trade."

The basis of the judgment was, apparently, the absence of any statement that the American company had ever bound itself to supply any quantity of borax to this "shadowy subsidiary." It is, nevertheless, not easy to see why this should be decisive if it is once conceded that the total expense incurred was in the protection of legitimate trade. Contracts between principals and

wholly owned subsidiaries are, no doubt, legally binding. There is, nevertheless, much that is "shadowy" about them; and, granted the legitimacy of the object, it is not clear why the U.K. company should not bear a reasonable proportion. After all, it had been cited in the U.S.A. indictment. Regarded as a penalty for illegality, in view of the two cases above mentioned, the decision would seem to be impeccable.

## FINANCE

# The Month in the City

### Apathetic Markets

In view of the seriousness of the month's developments, stock market movements have been slight and hardly compatible with the economic outlook. Early in the month almost every section of the market weakened, on rumours of impending crisis. The only exception was gold shares, which recovered sharply on expectations of an early devaluation of sterling. As a result of this general movement the equity index of the *Financial Times* touched a new low figure of 100.1.

Equities led the subsequent rally. There followed a very modest recovery in fixed-interest securities of all patterns. At the present time the *Financial Times* index for equities stands at 104.0, against 101.6 a month ago, but the fixed interest indices all remain lower than they were then: gilt-edged 108.82 against 110.76, fixed-interest in general 126.72 against 129.58 and the yield on Old Consols 3.38 per cent. compared with 3.26. During the month, all these indices have been lower than they now are.

### Lever and Unilever Earnings

The month has brought a spate of reports of large public companies, among which pride of place was taken by Lever Brothers and Unilever. As usual the report contains the figures for both the British company, "Limited" and the Dutch company, "N.V." Between them they increased their turnover from £479 million to £617 million in 1948, but the combined trading profit was about £1 million lower at £38.6 million. "Limited" secured an improvement on the year, while "N.V." suffered a 13 per cent. fall. The American end of the Dutch company did exceptionally well in 1947, while last

year there was a bigger fall in prices in the U.S.A. than elsewhere. The difference between the experience of the two companies may also be partly due to the good results of the United Africa group.

However, owing to the dividend equalisation agreement, the real interest of investors is in the combined results, which show a rise in profit after taxation of £2 million to £11½ million, despite increased provisions for depreciation and replacement of fixed assets. There was a fall in debits of an exceptional nature, principally exchange differences, sufficient to account for much of the increase in profit. The balance sheet shows a further rise of some £12½ million in stocks, to almost £97½ million, caused by both higher prices and increased quantities. The figure would be considerably larger but for the fact that materials for the margarine and oil seed business are carried by the Government, for which the group acts as agent. The total addition to reserves, excluding tax reserve, is some £13½ million on the year, of which £4 million odd is due to increased stock reserves. The net amount absorbed by dividends is £5.7 million.

### Austin-Nuffield Collaboration Restricted

The announcement that the exchange of confidential information between the Nuffield and Austin organisations and the pooling of production resources has ceased will receive a mixed reception. For the shareholders in one or both companies it is presumably a bear point, but for the country at large it may well be that competition is better than co-operation. It was never very clear what could be expected from the arrangement reached last autumn unless it were to grow into some kind of

financial merger. The industry has already in being the means of effecting standardisation on which the future must in large measure depend. The agreement might, indeed, have produced some delimitation on the types of car which each organisation would make, but it is not clear whether some short-term arrangement of this kind may have been made and, if so, may subsist.

### New Capital Demands

For the time being at least, the fall in stock market values has dried up much of the flow of new issues, both actual and prospective. Some companies have sold gilt-edged instead of raising new money. If the idea gets around that there is no floor under the Funds, such selling is likely to re-emerge once the worst declines in gilt-edged prices have been made good. Other concerns have put off their issues in the hope of getting better terms in the not-too-distant future. The General Electric Company seems to have decided to substitute short-term borrowing for an addition to permanent capital. At least, it has issued £8 million of ten-year stock to repay advances raised for financing additions to fixed capital.

In a rather different field the flow of new bonus issues continues and here and there a company seems to be taking the risk of raising its nominal capital at least to the earning power of its present assets.

Two interesting Government offers are those of Iceland and Northern Rhodesia. The former is the first foreign Government to borrow here since pre-war days. It is paying some £4 10s. 11d. per cent. for £1½ million for twenty years, with an option to repay the whole at a point premium at any time in the concluding eleven years of that period. Northern Rhodesia has offered, partly in conversion, £3,540,000 3 per cent. stock 1963-65 at 97. A considerable part is already earmarked and there has been a very favourable response to the offer of a flat yield of £3 1s. 10d. for a stock with a maximum life of sixteen years. But amid general weakness the price stands at a small discount.

# Points from Published Accounts

## "Credit Losses, Debit Gains"

As the consolidated profit and loss account of British Emulsifiers is prepared in tabular form and begins with a trading loss of £10,242 there is complete topsyturvydom, debits being added and credits deducted. The reasons for using this form of presentation may emerge when this note has been read. The group loss is shown at £7,422, after deducting tax recoverable of £12,500. After further deducting provisions of £892 for fees no longer required and "losses (less profits) retained in the accounts of subsidiary companies" of £8,491 there is shown a net profit! This is how the narrative concludes:

|   |         |
|---|---------|
| Net profit of British Emulsifiers .. .. .                         | £1,961  |
| Add balance from last year .. .. .                                | 1,063   |
| Balance carried to balance sheet of British Emulsifiers .. ..     | 3,024   |
| Deduct balance of subsidiary companies from last year ..          | £9,618  |
| Add net losses retained in accounts of subsidiary companies .. .. | 8,419   |
|   | 18,109  |
| Balance carried to consolidated balance sheet .. .. .             | £15,085 |

Technically, the parent did make a net profit and the narrative presentation may perhaps be justified in strict logic. But it would have given a much clearer picture if an account instead of a narrative had been submitted.

In their report the auditors state: "No provision has been made to meet the reduction in value of the shareholdings in, and the sums due on current account [£123,142] from, two of the subsidiary companies arising from accumulated losses." The report confesses that one of these has a debit on profit and loss account of £20,163, and says that it continues to hold its own.

## A Question of Time

Should the accounts of a company be considered by auditors in the light of what happened in the year preceding the moment when the clock struck the last hour of the financial year? Or should they take cognisance of succeeding events? Clearly, the profit and loss account is drawn up some weeks after the clock struck the fateful hour. But if a bomb demolished the factory in the first minute of the new year would the auditors be bound to object

to the balance-sheet valuation of the fixed assets? Again, looking ahead, if a retail stores with March 31 as the year-end date, and with a heavy load of stocks whose value included a large amount of purchase tax, found its stock valuations slashed by Budget remissions, would the auditors have to pay regard to the fact? The point arises in pronounced form because Cable & Wireless (Holding) drew up accounts at end-1948 which paid no regard to the fact, stated in the report, that the company received millions of pounds of compensation stock, plus accrued interest, for its shareholdings in the nationalised Cable & Wireless operating concern. The eminent firm of auditors goes to the trouble of stating in its certificate that on the basis of compensation received on March 1, 1949, the values of shareholdings in subsidiary companies, and compensation claim, are largely in excess of the book figures, and they even state the amount of interest on the compensation sum after deduction of income tax, but subject to profits tax, for the two years ending with the date of the accounts.

## Some Limitations of Consolidated Accounts

The troubled state of affairs in China finds reflection in the accounts of British American Tobacco, and they provide a reminder that in some instances consolidation of accounts can mislead. The company points out twice (once in a note) that in considering the consolidated balance sheet regard should be had to the fact that exchange controls and other regulations in many parts of the world impose restrictions on the transfer of assets between individual companies of the group. The group balance sheet shows subsidiary interests not consolidated at £8,009,203, while the profit and loss account shows income from investments in subsidiaries not consolidated at only £825. On the obverse side, trade investments brought in at £5,299,913 net yielded income of £1,653,705. It is not clear if this is a net or gross amount.

## Giving Details of Trading Assets

Controlling interest in British Chemicals and Biologicals is held by Fisons, which produces only a consolidated profit and loss account. The exceptional loss of £165,144 is conservatively deducted before striking the net profit, and the narrative is

continued in the same fashion as in the British Chemicals and Biologicals accounts. In his review with the accounts the chairman makes it clear that the losses of the latter are terminal and will not recur.

A recent report shows stock-in-trade "as independently valued and certified," and from "book debts, balances receivable under hire-purchase contracts and unexpired payments" is deducted a provision for book debts and contingencies. Disclosure of this provision is of interest in view of the nature of the business. The profit and loss account shows the balance unappropriated and its addition to the amount brought forward, and on the opposite page the chairman tots up total retentions for shareholders. He also points out that over 92 per cent. of the ordinary shares of British Chemicals and Biologicals are held by the controlling concern and other financial houses, so that the increased distribution to the public is negligible.

## Giving Details of Fixed Assets

British Enka includes in its report a reconciliation statement of the fixed assets between the balance sheets published in 1947 and 1948. This details in two columns—one for land and buildings, the other for plant and machinery—additions, sales and 1948 depreciation, and allocates the net balance between pre-1945 and post-1945. The fixed assets are shown in the balance at net book values at end-1945, less depreciation to end-1947, and proceeds of sales, and expenditure in 1946 and 1947 are stated.

## Thrift Stores

Instead of deducting from the current year's tax provisions the over-provision of tax made in the preceding year—a practice which serves to obscure the net earnings experience of the current year—Thrift Stores commendably adds it to the net profit as struck in the tabular presentation. There is also added the proportion of undistributed profits existing at the previous year-end which is attributable to shares then owned in a new subsidiary. In consequence of the "totally inadequate margins on grocery goods" the company has been obliged to suspend the payment of bonuses to customers on sales, thus breaking the tradition of almost half a century. The chairman rightly complains that heavy taxation makes it almost impossible to finance adequately normal development and progress and to provide for replacement of capital expenditure, but he does not, surprisingly, link this up in his speech with the issue of a £50,000 debenture secured on the assets of a subsidiary.



# Publications

ACCOUNTANTS' FEES AND PROFITS. By R. Sproull, C.A. (Sir Isaac Pitman & Sons, Ltd. Price £1 8s. net.)

STANDARDISATION IS ATTRACTING ATTENTION in almost every direction at the present time and too often claims are made for it which in practice cannot be substantiated. This is true of *Accountants' Fees and Profits*, which seeks to establish a formula for working out audit fees. Naturally, the process involves the author in complicated adjustments and variations in the endeavour to make good his case for standardisation. In fact, at times the author's objective becomes almost lost in a maze of detail and asides.

Treated as a contribution to a discussion the book is interesting and provocative, but it can hardly be classed as one of those books a practitioner must needs have at his elbow. Established practitioners have worked out for themselves, each in his own way and fitting his own circumstances, rates of fees which are both acceptable and practical. In the same practice variations can be and often are considerable and in the light of the wide range of accountancy practices these variations must necessarily be many. Auditing may be a word of general applicability but the services rendered for one reason or another need not necessarily be of a general standard value. Accountancy work, including auditing, is of a particularly individualistic character. The equipment for this work is the qualification by examination which becomes the foundation upon which practitioners build in their own individual way, achieving varying values over the years. It would indeed be a mistake if the profession accepted too readily the principle of standardisation of fees, as the inevitable result must be reflected in the quality of the service. The scale fees approved by Government Departments only go to prove the undesirability of any extension of this system, which rewards each class on a common basis regardless of the distinction in ability and skill.

The chapter headed "Ability to pay" might easily be misleading to a young practitioner. "Suiting fees to the client's ability to pay should be done by doing no more work than that for which the client can readily afford to pay." It would be unfortunate if this extract gave the impression that the question of payment had any relation to the degree of skill or ability which should be exercised. Clearly, if an

audit is undertaken, the highest skill and ability must be employed in the discharge of that duty regardless of fee. A professional accountant in selling "time" has to remember that that "time" is impressed to the public at large with a certain degree of skill and ability and that he is not just selling "time" alone. A professional accountant does not market "time" in the same way as a tradesman markets goods. He renders service of a certain standard and the measure of his duty is in the quality of his service rather than in the reward he obtains. In another place the author seems to accept a principle which the profession would not countenance: the fixing of fees in ratio to money saved to a client by tax reductions. The basis of professional charging should not be related to benefits accruing to the client, otherwise the amount charged would be in the nature of a commission rather than a fee.

Much space is given up to the consideration of the factors of cost in compiling a charging fee, such as all the varying staff rates of remuneration, principals' rates, special conditions, disbursements and retainers. The author endeavours to work out his formula of charging by a system of scales and code letters. The application of these scales and code letters to any given case cannot be easy and the result would probably require some further adjustment to meet some local or personal considerations. The whole process appears much too cumbersome and theoretical.

"Billing Routines" are dealt with at length. While it is obviously desirable that an accountant should keep full-time records and have a clear-cut system of "billing," there is a line to be drawn against getting involved in too much unnecessary detail.

The chapter on the organisation of accountancy does less than justice to the work already achieved in this direction and to the inherent difficulties in the problem. The author would appear to desire a much wider scheme of organisation than is practicable, useful or desirable. This is apparent when he sets out to specify the form of the suggested organisation. It is many times more vulnerable to honest criticism and objection than is the present state of affairs. In fact, the scheme outlined exhibits a lack of first-hand knowledge of exactly what is being done to-day in the accountancy profession in the way of professional standards, educational work, organisation and co-ordination.

The impact of nationalisation on the profession is dismissed in a few words. In these few words, however, is to be found the suggestion "one method of mitigating the effects of nationalisation or big mergers is for the jobs which will be lost by practitioners in the 1950-1970 nationalisations or mergers to be passed over now to practitioners who will be retiring at the time of nationalisation or merging or are willing to be employed by the new national authority or combine. These designated practitioners would get these client jobs in exchange for giving up the clients they formerly held in other trades to the donors of the projected nationalised industries' jobs. The terms must be made attractive enough on both sides." Such a suggestion will not bear investigation. For instance, who is to say which industries are likely to be nationalised or merged between 1950 and 1970? Are practitioners who have spent a good part of their lives in building up a practice likely to "trade" audits on such a hazy possibility which may not in fact ever materialise? Would owners of such businesses lightly allow such wholesale transfers whilst ownership was still a matter of private enterprise? How would a list of possible retiring practitioners be compiled covering a period of the next twenty years, and if it could be compiled, how would distinction be made between those who retire at varying dates, some, say, in five years and some in twenty years, and how would it be decided which businesses would come into nationalisation in five years and which in twenty years or in any particular year? The author can hardly expect his suggestion to be taken seriously. It is surprising that he has not thought it worth while to underline and emphasise the danger of the independent audit disappearing altogether in nationalised industries. Surely there is involved here a very important principle affecting the nation, to say nothing of the loss of "Accountants' Fees and Profits."

In this chapter on organisation reference is also made to the formation of three associations:

1. An Amalgamated Accountants' Examining Body.
2. A Commercial Accountants' Association.
3. An Accountants' Practice Owners' Association.

The foregoing are apparently intended to embrace all existing accountancy bodies. The author does not appear to face the difficulties nor to make his purpose clear. He confuses issues in his own mind by criticism of existing arrangements which does not always appear to be based on knowledge of the facts. In referring to the four recognised professional accountants



bodies he says "their examinations do not signify practical skill" and "all tests can be passed easily without practical experience." A little inquiry would have satisfied the author that practical training was compulsory before candidates can sit for the examinations. He then goes on to assert that "the recognised bodies apparently have had their hands too full with the matters they have dealt with up to the present, i.e., in the important fields concerning articulated clerks and some prestige matters. By their constitutions and inclinations their councils cannot be seriously concerned with practice owners' problems." It is difficult to take a statement like this seriously. In fact, the chapter generally on "Organisation of Accountancy" might with advantage have been left out of the book altogether.

It is unfortunate that a book which at first sight looked to be of real interest should have failed in providing what the patience and industry of the author deserved to achieve.

C. P. B.

THE LAW RELATING TO BANKRUPTCY, DEEDS OF ARRANGEMENT, RECEIVERSHIPS AND TRUSTEESHIPS. By O. Griffiths, M.A., LL.B. Fourth Edition. (*Textbooks, Ltd., and The British College of Accountancy, Ltd.* Price 15s. net.)

This is a book on law. It does not extend or purport to extend to practice. By this is meant that it does not deal with the detailed procedure in an accountant's office on an operation such as making application for the release of a trustee. To do so would involve an enumeration of the various forms to be filled.

The excellence of the book so well established by earlier editions would have been maintained but for a few omissions which can no doubt be corrected by a further page of corrigenda. The existing page of corrigenda deals with the change in preferential claims introduced into bankruptcy by Section 115 of the Companies Act, 1947; this Section was not repealed by the Companies Act, 1948.

The book appears, therefore, to have been sent to the printers before the Companies Act, 1947, was effective, but it seems evident that an attempt was subsequently made to bring it up to date after publication of the Companies Act, 1948.

Unfortunately there have been a few confused attempts on the part of legislators at altering insolvency law. The amendment of the Bankruptcy Act by the Companies Act, 1947, above mentioned was one. The introduction of S.R. & O. No. 251 of 1944 in respect of preferential P.A.Y.E. was another. The author cannot altogether be blamed for omitting to treat these topics in the first print of his book. The Inland

Revenue themselves are forced to shelter behind the "Repeal and Savings" section (Section 459) of the Companies Act, 1948 to aid them in invoking S.R. & O. No. 251 of 1944.

In revising the book sufficient time does not appear to have been given to consideration of the alterations in the Rights and Responsibilities of Receivers dealt with by Sections 366 to 376 of the Companies Act, 1948.

Subject to these points, as already mentioned, the book retains all the sterling worth of its earlier editions.

D. M.

AUDIT WORKING PAPERS. By C. Oliver Wellington. (*D. Van Nostrand Company, Inc. New York, U.S.A. British Empire Agents: Macmillan & Co., Ltd., London.* Price £3 10s. net.)

Working papers are commonly the foundation on which accountants build the result of most, if not all, of their activities. It is surprising, therefore, that text-books rarely contain more than a passing reference to this subject, and many refer to it not at all.

Mr. Wellington's handsomely produced volume fills the gap with a fully representative set of audit working papers. He is content to limit the text to a brief introductory explanation, and rightly so, for the result of what are obviously many years of experience is a clarity which defies confusion in all except the most obtuse minds. The presentation is unusual too, for the binding is loose-leaf and contributes to the general sense of reality. It is, in fact, the author's success in creating reality which makes this original addition to accountancy lore most useful and attractive. The knowledge that these are "fair copy" papers dealing with an imaginary audit fails entirely to dispel the illusion that one is following the progress of an actual audit from start to finish over the shoulders of the audit clerks.

The audit programme is sectionalised under twenty-six appropriate major headings, each designated with a letter of the alphabet. The clerks sign in the usual way for work done, and as the working papers emerge they are filed in the correct section behind the programme sheet. Special forms for the verification of assets, liabilities, contingencies and the like, and the certification of stocks, work-in-progress and similar items, take their places in the relevant sections. So that the system is completely illustrated, selected papers which would normally be on a permanent file are also included. To complete the orderliness of the whole, every significant figure is cross-referenced to the trial balance and/or other connected or supporting papers.

It is safe to say that all normal and many

special problems are covered, and that any not covered are likely to be peculiar to specific types of audit and therefore such as should be dealt with on their merits by any common-sense auditor. To be sure, there are procedural considerations on which both British and other American accountants might disagree—the author nowhere suggests that his system is the panacea of audit practice. But these points serve only to emphasise Mr. Wellington's point that auditing and the preparation of working papers are not matters for complete standardisation but rely ultimately for successful conclusion on the judgment and mental alertness of the man on the job. Indeed, such differences of opinion stimulate the reader of this volume, for the knowledge that his system has been successfully used in practice over a period of many years precludes their light dismissal.

British and American accountants are developing an increasing interest in each other's work, and the exchange of information on professional progress and methods is just another factor in the important business of full understanding. For that reason alone this volume would be a welcome addition to the bookshelves of accountants in this country, but its practical utility makes other reasons superfluous. There are many types of audit papers and many ideas of their form, but they all have one end in view. Whatever type he normally uses, even the least receptive practitioner cannot fail to get at least one idea or one train of thought from this collection of papers: the most receptive will derive much enjoyment as well as considerable knowledge, scope for useful cogitation and the opportunity of improving his own ideas on the subject.

It is a pity—though understandable—that the price has to be more than double that of most comparable text-books. Worth every penny of seventy shillings though it is, the price of this work may unfortunately restrict its influence upon students—who would greatly profit from studying it. It is to be hoped, however, that in addition to the libraries of the accounting bodies, those of individual accountants and firms will contain at least one copy available to their student-employees. A student can, without much trouble, strip the volume to the bare programme and then re-build it as if he were engaged on an audit. There is little doubt, too, that tutors will recognise that these papers will be of great assistance to them in overcoming one of the greatest of student difficulties, namely, the interpretation of theory in practice.

The reviewer's congratulations go to Mr. Wellington for recognising the need for a work of this kind.

J. R. L.

## Legal Notes

### *Bankruptcy—Set-off of damages for fraud against trustee's claim for rent.*

The recent judgment of Harman, J., in *Kitchen's Trustee v. Madders and another* (1949, 2 All E.R. 54) contains points of interest in regard to the right of set-off in bankruptcy under the "mutual credits clause" contained in Section 31 of the Bankruptcy Act, 1914. That section provides that "where there have been mutual credits, mutual debts or other mutual dealings, between a debtor against whom a receiving order shall be made under this Act and any other person proving or claiming to prove a debt under the receiving order," there shall be a set-off of moneys due from each party to the other "in respect of such mutual dealings," unless the creditor, at the time of giving credit to the debtor, had notice of an act of bankruptcy. It is this clause, where it applies, which relieves a creditor from being under the unhappy obligation of paying his debt in full to the trustee in bankruptcy, while only receiving a dividend in respect of his claim. In *Kitchen's Trustee v. Madders* the creditors had prior to the bankruptcy been induced by the fraud of the debtor to take a lease of a hotel, and as a result they had, at the date of the bankruptcy, a claim against the bankrupt's estate for damages for fraud, and on the other hand they owed rent under the lease. They also owed rent which accrued after the commencement of the bankruptcy, and they sought to set off against the claim for rent the damages to which they were entitled. In regard to the claim for rent which accrued due after the commencement of the bankruptcy, there could be no set-off of the damages. The damages were payable for the fraud of the debtor committed before the bankruptcy, whereas the rent was never payable to the debtor, but to the trustee. On the familiar principle that there is no "mutual dealing" where one transaction is before the bankruptcy and the other after, the learned Judge decided against the creditors on this part of the case. As regards the rent accruing due before the bankruptcy, there would, but for one point, have been a good set-off of the damages for fraud, for the claim for fraud and the claim for rent both arose in connection with the same lease (see *Jack v. Kipping* (9 Q.B.D. 113)). Two claims for debt can be set off against one

another even if they arise out of separate transactions, but a claim for damages for fraud cannot be set off against a debt unless both arise out of the same transaction. But there was a curious problem in the present case, which prevented the creditors from succeeding. Though they had brought their action for damages for fraud before the bankruptcy, they had not obtained judgment when the receiving order was made, and the action was stayed; and in order to obtain a removal of the stay they gave the Court an undertaking "not to prove their claim . . . in the bankruptcy." Accordingly, though the creditors obtained judgment for £5,500 damages for the fraud, Harman, J., held that they were not entitled to set-off any part of it against the bankrupt's claim for rent. He held that in view of their undertaking "not to prove in the bankruptcy" they had no provable debt which could be the subject of a set-off under Section 31. This is a narrow point of construction of the words of the undertaking, and a question of difficulty and doubt.

### *Attachment of debt—Money in hands of receiver for debenture holder—Debenture holders and preferential creditors not yet paid—Whether "debt owing or accruing."*

When judgment has been obtained for a sum of money, and it is established that a debt is "owing or accruing" from any person to the judgment debtor, an order may be made in "garnishee proceedings" attaching that debt by way of execution on the judgment, so that the debt becomes payable by that person direct to the judgment creditor. The meaning of the words "owing or accruing" has been much discussed, but it is clear that a debt is "owing or accruing" when the obligation to pay already exists, though the time for payment has not yet arrived. If, for example, X agrees to-day to pay a sum of money next Monday to Y, that debt can be attached forthwith without waiting until Monday. In *Seabrook Estate Co., Ltd. v. Ford* (1949, 2 All E.R. 94), a debenture holder of a company had appointed a receiver and manager of the premises charged by the debenture. It was therefore his duty to collect and realise the assets, pay out of the sums so realised the preferential claims

referred to in the Companies Act, 1929, pay the debenture holders their principal and interest, and then terminate his receivership, no doubt paying over to the company (or their liquidator if they had been wound up) any balance remaining in his hands. A judgment creditor of the company sought to attach the money in his hands, or part of it. At that time he had filed returns under Section 310 duly showing his receipts and payments for the first two half-years of his receivership, and it appeared from those accounts that nothing had yet been paid to the debenture holders, and certain amounts appeared still to be due to preferential creditors. The receiver then had £891 1s. 4d. in his hands and anticipated that when all payments had been made there would remain a sum of about £240 payable to the company. Hallett, J., held that at that date no part of the money in his hands constituted an existing debt owing to the company. That position, he said, might arise in the future, but at the material time it had not been reached, and accordingly he discharged the order nisi which the judgment creditor had obtained.

### *Limitation of action—Statute-barred debt—Effect of balance sheet of debtor company as acknowledgment.*

The decision of Birkett, J., in *Jones v. Bellegrove Properties, Ltd.* (1949, 1 All E.R. 498)—upon which a note appeared in this column in our issue of May, 1949, page 129—has been affirmed by the Court of Appeal (1949, W.N. 286), as indicated in an advance note in our last issue (page 171). The facts of this rather remarkable case were set out in our previous Legal Note. Lord Goddard, C.J., referred in the course of his judgment to the earlier case of *In re The Coliseum (Barrow), Ltd.* (1930, 2 Ch. 44). In that case the board of directors of a company had passed a resolution adopting a balance sheet which contained a statement that the company owed certain sums to them; and two of them signed the balance sheet on its behalf. Maugham, J., held that having regard to the position of a director as agent of the company it would not be competent to the board, acting as a board, to authorise any of their number to give a promise on behalf of the company to pay to themselves. Their interest would render them incapable of passing the resolution, and accordingly there was not a valid acknowledgment on the company's behalf. No such point arose in the present case. It was true that the balance sheet was addressed to the shareholders, but the plaintiff was one of the shareholders and was one of the persons at the meeting to whom it was presented. It was also true that the acknowledgment did not mention the debt to the plaintiff. But it was proved to include it.



# THE SOCIETY OF Incorporated Accountants

## EXAMINATIONS

The Preliminary, Intermediate and Final Examinations of the Society will be held on November 15, 16 and 17, 1949, at London, Manchester, Leeds, Birmingham, Cardiff, Glasgow, Dublin and Belfast.

Candidates are asked to obtain their application forms from the Honorary Secretary of their Branch or District Society.

Completed applications, with all relevant supporting documents and the fee, must be sent to the Secretary, Society of Incorporated Accountants, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, not later than Monday, September 19, 1949.

The Society does not undertake to arrange hotel accommodation. Candidates must make their own arrangements in this respect.

## Results OF EXAMINATIONS

MAY 1949

### FINAL EXAMINATION

#### Honours Candidates (4)

MELHUISE, William Adrian, M.A. (Colonial Audit Department), Zomba.

(First Certificate of Merit.)

MULLETT, Raymond Kenneth (with C. W. George), Dudley.

(Second Certificate of Merit.)

TERRY, Albert Reginald (with John M. Winter & Sons), London.

(Third Certificate of Merit.)

HEDGMAN, George Edward (with Whitehill, Marsh, Jackson & Co.), London.

(Fourth Certificate of Merit.)

#### Candidates Passed (238)

BACUP—WALMSLEY, Myles (with J. H. Lord & Co.).

BARROW-IN-FURNESS—FAIRBURN, Joseph William (with Peat, Marwick, Mitchell & Co.).

BATH—BETHELL, Arthur Reginald (with Harrison Smith & Haughton).

BEDFORD—GARNER, Geoffrey Harry (with Keens, Shay, Keens & Co.).

BIGGLESWADE—POTTON, Alec Frederick (with J. W. Austin & Co.).

BIRMINGHAM—BLOOMER, Harry Raymond (with Peat, Marwick, Mitchell & Co.); CHATFIELD, Sidney (with Agar, Bates, Neal & Co.); COTTERILL, William Henry (with G. H. C. Stanley & Co.); COTTRILL, Albert Jesse (with C. Herbert Smith & Russell); COXON, Albert Arthur (with Major & Co.); DAVIS, Will Stanley (formerly with Warriner & Co.); JOINES, Edgar Harold (with George A. Touche & Co.); PATE, Anthony William (with Jacob, Cavenagh & Skeet); STANLEY, Robert Derek (with Fred J. Ault & Co.); STEAD, Arthur (formerly with R. H. Bridgwater & Co.); WALL, Thomas Reginald (with Peat, Marwick, Mitchell & Co.).

BLACKPOOL—KENT, Douglas Goodman (with Bowman, Grimshaw & Co.).

BOLTON—BIRCH, Kenneth William (with Harper, Pilling & Co.); SEATON, Malcolm (with Harper, Pilling & Co.).

BOMBAY—AHMED, Syed Muslehuddin, B.A. (formerly with S. B. Billimoria & Co.); AIYAR, Shankar Arjun, B.A. (formerly with K. S. Aiyar & Co.); HORMASJI, Ardeshir Jivanji (with Chandabhoy & Jassobhoy).

BOURNEMOUTH—SWANGER, Alfred Albert (with Malpas, Simmons & Co.).

BRADFORD—WEST, Horace Henry (with W. Claridge & Co.).

BRIGHOUSE—BARKER, Eric (with Kilby, Sutcliffe & Co.).

BRISTOL—DAWE, William Henry (with Ware, Ward & Co.); NICHOLLS, George Edward (with Ware, Ward & Co.).

BROMLEY—MORRIS, Walter Frederick (with F. W. Berringer & Co.).

BURNLEY—HEATON, Ronald Briggs (with Ashworth, Moulds & Co.); RILEY, John Hargreaves (with Proctor & Proctor).

CALCUTTA—DUTT, Shyamal Kumar, B.COM. (formerly with S. K. Ghosh); MAJUMDAR, Sunil Chandra, B.A. (formerly with P. K. Mitra & Co.); RAHMAN, Anwar Ziaur, B.SC. (formerly with S. A. Afzal & Co.).

CARDIFF—BAYLISS, Trevor John (with Richard Leyshon & Co.); HUSBAND, Colin Meredith (with D. H. Husband).

CARLISLE—IRVING, Thomas James (with James Watson & Son).

COVENTRY—PEARS, George Derrick (with Edward Thomas Peirson & Sons); SANKEY, Kenneth (with Edward Thomas Peirson & Sons).

DEVIZES—BUDD, John (with David Owen & Co.).

DONCASTER—MELLOR, Robert John (with Glover & Co.); OATES, Geoffrey (with F. J. Clarke & Co.).

DORCHESTER—EDWARDS, Maurice Alfred (with Edwards & Edwards).

DUNFERMLINE—FARROW, Robert Frederick (with James Condie & Co.).

EASTBOURNE—GEARING, Frederick Charles (with Perkins, Copeland & Co.).

EDINBURGH—CROME, Edward (with Howden & Molleson); WHITEMAN, Robert John (with Scott & Paterson).

EVESHAM—ESSEX, Arthur Christian (with Kingscott, Dix & Co.).

EXMOUTH—THOMPSON, Leon Frederick Garnham (with S. J. G. Southon & Co.).

GATESHEAD—HYLAND, Frederick Leask (with J. E. Pattison & Son).

GLASGOW—BATTERSBY, John Douglas (with Rattray Bros., Alexander & France); BEGG, George Manson (City Chamberlain's Office); ROBERTSON, James Binnie (formerly with Mackie & Clark).

GOOLE—BADDILEY, Douglas (with G. W. Townend & Co.).

HARROGATE—WHITE, Reginald Richard William Ernest (Borough Treasurer's Department).

HILLINGDON—DEAVES, Raymond Arthur (with Hare Wilson & Co.).

HUDDERSFIELD—CUSTANCE, Derick (with Fred Sheard & Sons); SHAW, Donald (with Fred Sheard & Sons); WARD, Brian (with T. N. Steel & Co.).

HULL—ACASTER, Albert (with E. Churchill Mallett & Co.); ATKIN, John Clement

### SUMMARY OF RESULTS

|                            | Final | Intermediate | Preliminary | TOTAL |
|----------------------------|-------|--------------|-------------|-------|
| Candidates Awarded Honours | 4     | 7            | 1           | 12    |
| Candidates Passed ..       | 238   | 301          | 58          | 597   |
| Candidates Successful ..   | 242   | 308          | 59          | 609   |
| Candidates Failed ..       | 333   | 294          | 71          | 698   |
| Candidates Sat ..          | 575   | 602          | 130         | 1,307 |



(with Hodgson, Harris & Co.); DRINKALL, Derrick (with Hodgson, Harris & Co.).

**Ipswich**—DEATH, George (with Nankivell & Sanderson).

**Jersey**—HOPKINSON, Peter (with J. T. A. Willcox).

**Keighley**—NOWELL, Kenneth (with Allan Bradley & Thompson).

**Kidderminster**—COOKSON, Elmer Arthur (with O. W. Davies, Mumford & Co.).

**Lahore**—BHANDARI, Joginder Mohan, B.A. (formerly with K. P. Soni & Co.).

**Leeds**—BARTON, William Rogers (with Brown, Butler & Co.); BROADLEY, Kenneth Roland (with Fredk. & C. S. Holliday); MARSHALL, Jack (with Lowrey, Weston & Whalley); OAKES, George Henry Peter (with Thomas Coombs & Son); SMITH, Stanley Ernest (with Smithson, Blackburn & Co.).

**Leicester**—BUDDING, Raymond Henry (with Newby Dove & Rhodes); CASTLEMAN, John Derek (with Thomas May & Co.); HICKLING, Ronald Arthur Overton (with Taylor, Tanser, Kibert & Co.); PARTRIDGE, Arthur Thomas Montague (with Thomas May & Co.); VEASEY, Allan Arthur (with Thomas May & Co.).

**Lincoln**—OWEN, Albert Stanley (with J. Nicholson & Co.).

**Liverpool**—BUCHANAN, James Sayce (with Blease & Sons); DAVIES, Howard Malins (with W. Anderson & Co.); DREWETT, Muriel Jean (with Edmund D. White & Sons); EVANS, William Humphrey (with Hodgson, Harris & Co.); FRENCH, John Duncan (formerly with R. Duncan French & Co.); KNOWLSON, Albert Denton (with Thomas Eaves & Co.); MCCOMBE, Barbara Bramwell, M.A., B.COM. (formerly with Lithgow, Nelson & Co.); MCKENZIE, Robert James Harkness (with J. W. Davidson, Cookson & Co.); SEDDON, James Hatley (formerly with A. J. Johnston); TYLER, Frank Trevor (with Blease & Sons); WARDLE, William Kenneth (with Brown, Topham & Partners).

**London**—ANDERSON, Kenneth Arthur (with Jacob & Haynes); ANDREWS, Eric Victor Mark (with Wright, Fairbrother & Steel); BANKS, John Francis (with Baker, Sutton & Co.); BLAKE, Robert Joseph (with Sydenham, Snowden, Nicholson & Co.); BRADY, Stanley George (Borough Treasurer's Department, Stoke Newington); BRAMBLE, Eric Nelson (with Bolton, Pitt & Breden); BRETT, Arnold William Mason (with William Kera); BRITNELL, Edgar George (formerly with W. H. Payne & Co.); BROOKER, George Charles (with Portlock & Co.); BROOMAN, John Cresswell (with Spicer & Pegler); BURNS, Dennis Arthur (with Holden, Howard & Co.); CLAYDEN, Joseph (formerly with Keens, Shay,

Keens & Co.); COOK, Ernest Peter (with Hibbert, Sier, Woods & Co.); COOPER, Leslie William (with Williams, Dyson, Jones & Co.); CROUCHER, Ronald Walter (with George A. Touche & Co.); DABNER, Robert Harold (with G. A. Fraser & Co.); DERWENT, Peter Locke (with Wm. G. T. Derwent); DESBOTTES, Florimond Louis (with Russell Tillett & Co.); DEVENISH, Eric Frank (formerly with Woolger, Hennell, Scott-Mitchell & Co.); DICKINSON, John Brian (with Price Waterhouse & Co.); DOLAN, Peter James (with Leslie A. Ward); DONALD, Douglas Robert (with Blakemore, Elgar & Co.); DUNHILL, Ernest Frank (with Binder, Hamlyn & Co.); DUNN, Peter Harold (with Tribe, Clarke, Painter, Darton & Co.); EVANS, Eldred (with Keens, Shay, Keens & Co.); FORDYCE, John Alistair (with Walter J. Smith & Son); GILBERT, Norris (with Percy Phillips & Co.); GLENISTER, John Frederick (with Lomax, Clements & Co.); GODFREY, Peter (with Farr, Rose & Gay); GRIMWADE, Alfred Arthur (with H. G. Large, Libson & Co.); HEATH, Bertram William (with Martin, Farlow & Co.); HOLLAND, Edward Alfred Thomas (with Cassleton Elliott & Co.); HOLLEY, Kenneth Sidney Leonard (with Kay, Keeping & Co.); HOLLIDAY, Peter (with Clifford Towers, Temple & Co.); HOPE, David Ephraim (with Cyril J. Auerbach); HUBER, Peter Eric (with Martin, Farlow & Co.); HUNTINGFORD, Donald Roy (with Clark, Battams & Co.); HYMAN, Cyril (with R. H. Munro & Co.); IVE, Leslie James (with Futcher, Head, Smith & Co.); JIMSON, John Richard (with Holden, Howard & Co.); JORDAN, Clifford John (with Deloitte, Plender, Griffiths & Co.); KINGSMILL, Gordon Harold (with Peat, Marwick, Mitchell & Co.); LITTLEJOHNS, John Clifford (with Woodman, Cox & Wilkins); MCBRIEN, William Robert (with Hartleys, Wilkins & Flew); MILLS, Geoffrey Walter (with Deloitte, Plender, Griffiths & Co.); MUGGRIDGE, Frank (with Gillespie Brothers & Co.); NETHERCLIFT, Geoffrey John (with Deloitte, Plender, Griffiths & Co.); NEWTON, Geoffrey Harold (with Reddall, Osborne & Co.); NORRIS, Edward Roy (with Slipper & Co.); OATES, Keith Harold (with Cole, Dickin & Hills); PRICE, George William (with Blakemore, Elgar & Co.); PULLIN, Peter John (with C. Neville Russell & Co.); RAYMOND, Basil Joseph (with Westbury, Schotness & Co.); REED, Leslie Richard (with Simpson, Wreford & Co.); REYNOLDS, Eric James (Comptroller's Department, Metropolitan Water Board); SHORE, Cecil Michael (with Derbyshire & Co.); SIMMONS, Alan Richard Martin (with Simmons, Slowman & Co.); SIVEY,

Ronald Gordon (Borough Treasurer's Department, Wandsworth); SLATER, Geoffrey Stephen (with Warley & Warley); STEELE, Arthur Thomas, B.A. (with Robert J. Ward & Co.); STEELE, Sidney Harry (with Bernard Phillips & Co.); STRUDWICK, Ronald Francis (with Shipley, Blackburn, Sutton & Co.); SULLIVAN, Laurence (with Singleton, Fabian & Co.); SUMMERS, John Owen (with Deloitte, Plender, Griffiths & Co.); SWINSON, Edward Charles (with Deloitte, Plender, Griffiths & Co.); TAVENER, Eric William (with Ford, Rhodes, Williams & Co.); TAYLOR, Eric Smith (with W. H. Payne & Co.); TAYLOR, John Stanley (with Annan, Dexter & Co.); WALLER, Albert Joseph (with James, Edwards & Co.); WHEELER, Reginald Wilfred (with Daniel Mahony, Taylor & Co.); WILLIAMS, Donald Alfred (with Layton-Bennett, Billingham & Co.); WINDSOR, William Walter Windham (with Baskett & Bryant); WRIGHT, George Frederick Henry (with Thorne, Lancaster & Co.); YOUNG, Reginald Beach (formerly with Blease & Sons).

**Macclesfield**—FOX, Robert Charles (formerly with Mellor, Snape & Co.).

**Maidenhead**—WALLIS, Kenneth Albert (Deputy Borough Treasurer).

**Malvern**—HUNTER, Denis Demaine (with Rowan & Co.).

**Manchester**—BATTERSBY, Harry (with David J. Jones); BOXALL, Robert William Gordon (with Ashworth, Mosley & Co.); BRASSINGTON, Thomas Gordon (with Jas. A. Hulme & Co.); CHALLINOR, Ronald Arthur (with Fred A. Fitton, Wilson, Smith & Martin); DEAN, Raphael (with Crofts & Naylor); FERGUSON, Alan (with Vaughan & Gregg); FOULKES, Charles Albert (with Hatton, Liggett & Co.); HAMER, James Anthony (with J. D. Hamer & Co.); JENKINS, Colin Wesley (with Thomson McLintock & Co.); LAPPIN, John (with Lloyd Piggott & Co.); STOCKS, Norman (with Willett, Son & Garner).

**Middlesbrough**—ATKINSON, George Douglas (with Peat, Marwick, Mitchell & Co.); TAYLOR, Charles William (with Peat, Marwick, Mitchell & Co.).

**Mirfield**—FRETWELL, James (with Binns, Martindale & Co.).

**Morecambe and Heysham**—HUDSON, Eric (with Waters & Atkinson).

**Nairobi**—LAMBOURN, Louis Rene (formerly with Dunn, Hornby & Cowie).

**Newark-on-Trent**—REYNOLDS, Sidney (with Stephenson, Nuttall & Co.).

**Newcastle, Staffs**—HALLAM, John Stuart (with Reginald Statham & Co.).

**Newcastle - upon - Tyne**—ANDERSON, John Kenneth (with Seddon, Magnay &

Spooks); CARSS, Thomas Frederick (with A. W. Price, Rose & Smith).

**Newport, Mon.**—BERROW, Neville Harry (with Walter Hunter, Bartlett, Thomas & Co.); HALLETT, Raymond Edgar (with William Clark & Stephens); JONES, Charles Stanley (with Alban & Lamb); SMITH, Ronald (with Parsons & Joliffe).

**Newton Abbot**—FURLER, John Samuel (with Francis S. Clark & Co.).

**Norwich**—OLDFIELD, Robert George (with Martin & Acock); SAMPSON, Arthur Thomas (formerly with F. W. Palmer & Co.); WEEKS, Geoffrey Bernard (with Larking & Larking).

**Nottingham**—BRAMLEY, Stanley Richard (formerly with Stanley Blythen & Co.); EATHERINGTON, John Arthur (with Henry A. Morley); GOSLING, Peter Ernest Betts (City Treasurer's Department).

**Oxford**—MATTHAMS, Eric William (with Critchley, Ward & Pigott); WHITE, Kenneth John (with Thornton & Thornton).

**Plymouth**—DUDMAN, Gerald (with Roberts & Pascho).

**Rhyl**—BRYAN, Granville (with Cyril Arnold & Co.).

**Rotherham**—FROST, Laurence Irving (Borough Treasurer's Department).

**Scarborough**—RAYNER, John (with F. L. Gardiner & Co.).

**Shanklin**—WESTMORE, Peter (with A. E. Hook & Co.).

**Sheffield**—DAVY, Colin George (with Ransom, Harrison & Lewis); DRIVER, John Mather (with Henry Toothill & Son); MILES, John (with Hancock & Ashford); TRICKETT, Kenneth (with Joshua Wortley & Sons).

**Shrewsbury**—BLAKEMORE, Bernard Frederick (formerly with Harper, Kent & Wheeler); CADWALLADER, Harold Francis Jones (with Harper, Kent & Wheeler); DAVIES, Thomas Frank (with Yaxley, Hallett & Co.).

**Southampton**—SMALES, Edward John (formerly with Weeks, Green & Co.).

**Southport**—BLACKER, John David (with Lithgow, Nelson & Co.).

**South Shields**—WHYTE, William George (with J. H. Whyte).

**Stockport**—BALL, Eric Butler (Borough Treasurer's Department).

**Stoke-on-Trent**—HALL, Ernest Reginald (with A. Cropp Hawkins & Co.).

**Sutton**—WHITE, Charles John (with Geo. H. Jackson & Co.).

**Swansea**—POWELL, John Gwynne (with Baddiel, Sleeman & Co.).

**Truro**—TRENGOVE, Edward Robert Arthur (Finance Department, Cornwall County Council).

**Tunbridge Wells**—FIELD, Rowland Marchant (with Creasey, Son & Wickenden).

**Walsall**—WALTERS, William Charles (with Baker & Co.).

**Watford**—WHITBOURN, Martin Samuel (with Edward Myers, Clark & Co.).

**Wembley**—BANTING, Philip Cecil (with H. C. Banting).

**West Hartlepool**—EWAN, Sydney Harold (with Wm. Fortune & Son).

**Wolverhampton**—TURNER, Ivor (with Piper, Barnett & Co.).

**Wrexham**—CLARE, Leonard (with John Unwin & Co.); TAYLOR, Kenneth James (with Percy R. Hayes).

**York**—WINTERBOTTOM, Derek Edward (with Barron & Barron).

**Ireland**—BEATTY, George Horace (with Cooper & Kenny), Dublin; BODELL, Ernest Herbert (with Cooper & Kenny), Dublin; CLOONAN, Stephen Augustine (with Purtill & Co.), Dublin; DUNLOP, Thomas Alexander (with William C. Ribbeck & Co.), Dublin; HOWARD, Robert Alexander, B.COM.SC. (with Frederick Dall Gray & Co.), Coleraine; LARMOUR, Hugo Neam (with C. P. McCarthy, Daly & Co.), Cork; McEVoy, Michael Fintain (formerly with Michael K. Wallace & Co.), Limerick; MacKINNON, John Grant (with Muir & Addy), Belfast; McMURTRY, Ernest (with S. Stockman & Co.), Belfast; MONTGOMERY, Derek Harford (with Martin Savage & Co.), Dublin; QUIN, Alan Malcolm (with Martin, Savage & Co.), Dublin.

## INTERMEDIATE EXAMINATION

### Honours Candidates (7)

WILSON, John Vertue (with Martin, Farlow & Co.), London.

(First Place Certificate and First Prize.)

DOWN, Gordon Harold (with Davies & Davies), Cardiff.

(Second Place Certificate and Second Prize.)

GENESE, David Alfred (with Ford, Rhodes, Williams & Co.), London.

(Third Place Certificate.)

HUNT, John Harvey (with Edmonds & Co.), Portsmouth.

(Fourth Place Certificate.)

GRAYSON, James Gomm (with Rowley, Pemberton & Co.), London.

(Fifth Place Certificate.)

KEYSE, John Ernest Samuel (with Eric Phillips & Co.), London.

(Sixth Place Certificate.)

HOPPER, Arnold (with Thomas Craggs & Co.), Darlington.

(Seventh Place Certificate.)

Candidates Passed (301)

**Accrington**—GARDNER, Harry (with Philip F. Pierce).

**Ashby-de-la-Zouch**—BEARDSMORE, William Alfred (with Dixon, Johnson & Murkett).

**Ashton-under-Lyne**—KING, Donald (with Fred Thornley).

**Bath**—BREWSTER, Roy Burnett (with Mundy, Brewer & Johnson).

**Birmingham**—ASTLEY, Philip Thomas (with Allen Edwards & Co.); BARTRAM, Albert (with W. G. A. Russell & Co.); BECKETT, Anthony Paul (with Kimberley Morrison & Co.); GOODRIDGE, Jack (with C. Herbert Smith & Russell); HIGGITT, Dennis Bristowe (with Buckle, Wilk & Co.); KENWRIGHT, Joseph Arthur (with Whitehill, Marsh, Jackson & Co.); REARDON, Robert Patrick (with Herbert Pepper & Rudland); YARLEY, John Walter (with Frank Impey & Co.).

**Blackpool**—DUNN, Cameron Haywood (with F. W. Coope & Co.); GOODWIN, Ronald Blackshaw (with William Harling).

**Bognor Regis**—BLAKE, Albert John (formerly Finance Department, Bognor Regis U.D.C.).

**Bombay**—BUHARIWALLA, Soli Aderji, B.COM. (with B. P. Gharda & Co.); DHONDY, Hormusji Behramji, B.A. (formerly with S. B. Billimoria & Co.); GANDHI, Minoo Dadabhoy (formerly with D. H. Kabraji & Co.); GUPTA, Subrata Kumar (formerly with Dalal, Desai & Co.).

**Bournemouth**—GUARD, Grenville Lemon (with C. J. B. Andrews); LINES, Raymond Leslie (with Edward Bicker & Son); WHITE, Charles Arthur Derham (with Pettitt, Maddox & Co.).

**Bradford**—BARKER, Brian (with Seeger & Knox); BENN, Albert Arnold (with A. E. Ellison & Co.); FOSTER, Kenneth (with J. Herbert Haley, Son & Co.); GOODALL, George (with J. Herbert Haley, Son & Co.).

**Brighton**—HARDIMAN, Eric Vivian (with Spain Bros., Dalling & Co.).

**Bristol**—BATT, Charles Henry (with Solomon Hare & Co.); CASLING, Maurice George (with Sidney Foster & Sons); DALBY, David Burkitt (with Morley F. Pearce); DAVIS, Maurice Henry (with E. E. Burrige); MANN, John Michael (with Andrews, Hutton, Roberts & Co.); SESSIONS, Stanley George (with Ham, Jackson & Brown).

**Burnley**—BANCROFT, Kenneth (with Rawlinson, Hargreaves, Smith & Wood).

**Calcutta**—CHATTERJEE, Gaur (formerly with D. P. Chatterjee & Co.); DE, Ajayananda (formerly with G. Basu & Co.); DINDA, Nisith Kumar, B.A. (formerly with S. R. Batliboi & Co.); GHOSH, Lakshmi Charan (formerly with P. K. Mitra & Co.); MITRA, Kamal Kumar, B.A. (formerly with P. K. Mitra & Co.); RAY, Sukhendu, B.SC. (formerly with D. P. Chatterjee & Co.).

**Cambridge**—BEALES, Percy Francis (with Peters, Elworthy & Moore).



**Cardiff**—GEORGE, Howard Granville (with J. Wallace Williams & Co.); HORRELL, John Edward (with Saunders, Horton, Evans & Co.); IRONS, Cecil Stuart (with Needham & Caley); LEWIS, Peter West Plumptre (with J. Wallace Williams & Co.); MILLER, Harold Williamson (with Richard Leyshon & Co.); RANDALL, William George (with Saunders, Horton Evans & Co.); TATE, John Charles (with Geo. R. Williams); THOMAS, John Peter (with Ross Jones & Co.); WILLIAMS, Hannah Kathleen (with Ernest A. Prince & Son).

**Carlisle**—CULLEY, Fergus Wilfred (with Greaves & Co.).

**Chester**—MORGAN, William (with Haswell Bros.); VICKERS, Ioan (with Williams & Chapman).

**Chesterfield**—PARKER, Gordon Turner (with S. E. Short & Co.).

**Coventry**—WALKER, Peter Charles (with Deacon, Guild & Co.).

**Croydon**—DUNFORD, Ronald Edward (with Odell, Son & Co.).

**Deal**—HUNNISETT, Philip Daniel (with Edward Ivie Rayner).

**Delhi**—MAGOTRA, Navin Chandra, B.A. (formerly with K. P. Soni & Co.).

**Dorchester**—COCKINGS, Peter George (with Edwards & Edwards).

**Douglas**—BROWNE, Ronald Bernard (with J. B. Bolton).

**Edinburgh**—MACRAE, Charles Edward Stuart, B.COM. (City Chamberlain's Office); MARSHALL, James King (with Scott & Paterson).

**Exeter**—HARRIS, Bruce Charles (with W. W. Beer, Aplin & Co.).

**Fareham**—MILLER, Angus Charles Donald (with A. J. Palmer & Co.).

**Fazakerley**—MORRISON, Alexander (Royal Ordnance Factory).

**Folkestone**—DANBY, John Silas (with Geo. H. Chapman & Co.).

**Glasgow**—McROBBIE, Annie Trail (with Robert Fraser).

**Gloucester**—GOWER, Oliver William (with J. Nicholls); TRENFIELD, Dennis Walter (with Kingscott, Dix & Co.).

**Goole**—DICKENS, Peter Raymond (with G. W. Townend & Co.); FEAVEAREY, Thomas Hedley (with G. W. Townend & Co.).

**Guildford**—RITCHIE, Alan John (with Keller Snow & Co.).

**Halifax**—McMAHON, John Joseph (Borough Treasurer's Department); WRIGHT, Leslie (with Armitage & Norton); WRIGLEY, Albert Alan (with Charles L. Townend & Co.).

**Harrogate**—BELL, Frank (with John Gordon, Harrison, Taylor & Co.).

**Hereford**—ROCHE, Christopher Michael (with Thompson & Wood).

**Hong Kong**—DA SILVA, Leonel Maria Gomes (formerly with Lowe, Bingham & Matthews).

**Hull**—BELL, Gillian Mary (with Butterell & Ridgway); HOGGARD, George Harold (with C. White); LIGHTFOWLER, John Craven (with W. P. Vickerman & Co.); RYAN, James (with Hodgson, Harris & Co.); SUTCLIFFE, Neville Wilson (with Crumpton, Cappleman & Co.); WHITTAKER, George Bowen (with Buckley, Hall, Devin & Co.).

**Keighley**—PUGH, Ronald (with Smith, Dolby & Co.).

**Kettering**—WELLS, John Luther (with Hodge & Baxter).

**King's Lynn**—ALLCOAT, Michael Victor (with Stephenson, Smart & Co.).

**Kingston-on-Thames**—CUNNINGHAM, Geoffrey Alan (with Rosier, Christie & Co.).

**Leeds**—BEANLAND, Rhona (with Croudson & Co.); CARTER, George (with Wheawill & Sudworth); CLARKE, Anthony Peter (with S. R. Fuller & Co.); DURRETT, Lionel Payne (with Beevers & Adgie); HEMINGWAY, Peter (with John Gordon, Walton & Co.); HOLMES, George Herbert (with Smithson, Blackburn & Co.); MITCHELL, Arthur Siddle (with S. Mitchell & Son); SIDWELL, Francis Bernard (with Price Waterhouse & Co.); STEWART, Roy (with Brown, Butler & Co.); WARING, Robert (with S. R. Fuller & Co.); WOOD, Frank (with Smith & Garton); WOODHEAD, Raymond (with John Gordon, Harrison, Taylor & Co.).

**Leicester**—BATES, Edward Laurence (with Thomas May & Co.); FIRBAN, Thomas Norman (with Wykes & Co.); LEE, Cecil Stephen (with Barker & Co.); TAYLOR, John Maurice (with Wykes & Co.).

**Lichfield**—JUPP, Wilfred Lionel (with D. L. Dain & Co.).

**Lincoln**—CHRISTIAN, Roy Leslie (with J. Nicholson & Co.).

**Liverpool**—ASHTON, Frank Charles (Principal Accountant's Department, Mersey Docks & Harbour Board); DAVIES, Daniel William James (with George H. & R. Highcock); JACKSON, Cyril Argyle (with Alexander Myerson); LITCHFIELD, Harold Stuart (with Rd. Corner & Jones); LITTLE, William Norman (with Wallace Davis); MUIR, Matthew Lindsay (with Harmood Banner, Lewis & Mounsey); ROTHWELL, Robert Kenneth (with J. W. Davidson, Cookson & Co.).

**London**—AHMED, Mohammed Ibrahim, B.A. (formerly with Middlemiss, Sheasby & Co.); ARMITAGE, Eric Leslie (with Blackburns, Robson, Coates & Co.); ATKINSON, Ray Jean Bromley (with Deloitte, Plender, Griffiths & Co.); BAGGE, Eric Herbert (with Tansley Witt

& Co.); BALY, Patrick Thomas (with Thornton Walker & Co.); BENNETT, Alan Sidney (with Hibbert, Sier, Woods & Co.); BLIGH, Leslie Francis (with Turquand, Youngs, McAuliffe & Co.); BOLTON, Frederick George Edwin (with Armitage & Norton); BOORMAN, Albert Edward Camburn (with Holmes Widlake & Gibson); BRAND, Ronald Henry Albert (with Andw. W. Barr & Co.); BROOKER, Ronald Patrick (Borough Treasurer's Department, Finsbury); BROOKS, Norman James (with Slipper & Co.); BROWN, Gerald Desborough (with Charles Wakeling & Co.); BROWN, Reuben (with Beaton, Hewson & Co.); BROWNLESS, Edwin Ernest (with Cassleton Elliott & Co.); BUCHAN, Alfred George (with Marreco, Ridley & Heslop); BUCKLE, Stanley William (with Whinney, Smith & Whinney); BUTLER, Arthur Archie Llewellyn (with Chalmers, Wade & Co.); CARR, Kenneth Edmund (with L. Gostyn & Co.); CATT, Benson Franklyn (with Metcalfe Collier); CHAMBERLAIN, Ronald (with Talbot, Ellis, Jack & Co.); CHAPMAN, Douglas Harold Victor (with Clark, Battams & Co.); CLARK, Frederick Charles Henry (with H. A. Merchant & Co.); CLISSOLD, Albert Joseph (with Shipley, Blackburn, Sutton & Co.); CORNELIUS, Frank Hubert (with Wrigley, Bolton & Co.); CULLUM, Henry John (with Luff, Smith & Co.); DAVIES, Richard Ian (with Edw. Judson Mills & Co.); DAVIS, Frederick William (with Reddall, Osborne & Co.); DAVIS, Peter Richard (with Fletcher, Head, Smith & Co.); DOUGLAS, Gordon Charles (with H. C. Rose & Co.); ELLIOTT, Anthony Joseph (with Price Waterhouse & Co.); EVANS, John Parry (with Gibson Harris & Co.); FIRMINGER, Capel Alfred (with S. Primost & Co.); FOSS, Peter Wilfred (with Henry White & Co.); FRICKER, Donald Racine (with Charles G. Clark & Co.); GADD, Ernest George (with Blakemore, Elgar & Co.); GARDINER, Leslie Henry (with Hibbert, Sier, Woods & Co.); GISBORNE, Frank Edward (with Farrow, Bersey, Gain, Vincent & Co.); GOBEY, John Mayoss (with Deloitte, Plender, Griffiths & Co.); GOLD, Sidney (with Myers, Davies & Co.); GOSS, Cyril (with R. G. Herman); GRAHAM, Brian Donald George (with Lomax Clements & Co.); GRAY, Ronald Laurence (with Ballard, Huggins & Co.); HADLAND, Beryl Rosemary (with Beaton, Hewson & Co.); HARRIS, Bernard (with J. Mundy & Co.); HEAVENS, Reginald John (with West, Wake, Price & Co.); HIGGINS, Derek Leonard (with Gordon Hawley & Co.); HILDEBRAND, Norman (with Cole, Dickinson & Hills); HOARE, John Edward (with Victor Harris & Co.); HOWARD, Leslie

Reginald (with Charles E. Harper); JARRETT, George James (Audit Department, Co-operative Wholesale Society Limited); JOY, Cyril Marcus (with Holmes-White, Herbert & Co.); KEELING, Frederick Alexander (with Turquand, Youngs, McAuliffe & Co.); KING, Basil Richard (with Buzzacott, Lillywhite & Co.); KING, John Walter (with Gilberts, Hallett & Eglington); KNOPE, Leonard Charles Sidney (with James, Edwards & Co.); LANHAM, Bertram Charles (with Annan, Dexter & Co.); LAWRENCE, Leonard Lance (with Clarkson Webb & Dewar); LEAKE, Dennis Thomas (with Franklin, Wild & Co.); LEE SMITH, Leonard Ralph (with Moore, Stephens & Co.); LOWE, Dennis Eric (with Whitehill, Marsh, Jackson & Co.); LUNT, Geoffrey Wyndham (with Slipper & Co.); MACAULAY, Neil John (with Smith, Blyth & Co.); MCGOWAN, James Edwin Charles (with Tingle Comber & Co.); MARKUS, Hugh Bryan (with Henry Finck); MARSHALL, Douglas Charles (with Blakemore, Elgar & Co.); MATHIAS, Ronald Sidney George (with Cash, Stone & Co.); MATTINGLY, Leslie Albert (with Dunn, Wylie & Co.); MERCER, Keith (with Finnie, Ross, Welch & Co.); MONTAGNA, Giulio Cesare Benito (with Roth, Manby & Co.); MURPHY, John Declan (with Daniel Mahony, Taylor & Co.); NICHOLAS, Leslie Neal (with John Craggs & Co.); NIELSEN, Norman Valdemar Schaldemose (with Cooper Bros.); OGLE, Alec Geoffrey (with Peat, Marwick, Mitchell & Co.); PIPER, Kenneth George (with Deloitte, Plender, Griffiths & Co.); POTTICARY, William George (with Charles Comins & Co.); POTTS, Alexander Francis (with George A. Touche & Co.); PRATT, Alan William (with C. Neville Russell & Co.); PUGH, Alfred John (with Temple, Gothard & Co.); RAPPITT, Roy James Benjamin (with Woodthorpe, Bevan & Co.); RAWLE, Roy Henry (with Merrett, Son & Street); RIPPINGTON, Albert Henry (with Deloitte, Plender, Griffiths & Co.); ROACH, Peter Irwin (with Turquand, Youngs, McAuliffe & Co.); ROBERTS, Hedley William (with Cooper Bros. & Co.); RODGERS, Geoffrey (with Field & Co.); ROSE, Bernard (with Hayden Green, Williams & Co.); ROSENBLUTH, Ernst Emanuel (with Keeling & Co.); ROSS, Bernard (with Diamond, McCormick & Shah); SCOTT, Alan Leslie (with Townsend, Watson & Stone); SHAW, Raymond John (with J. A. Greenfield); STRUDWICK, Alfred (with Frank A. Cooper & Co.); STUBBINGTON, Kenneth Arthur (with Spicer & Pegler); TOZER, William Alfred (with Harmood Banner, Lewis & Mounsey); WATT, Archibald George (Borough Treasurer's Depart-

ment, East Ham); WHITE, Arthur Leonard (with Victor Harris & Co.); WILSON, Eric Gordon (with Barton, Mayhew & Co.); WYMARK, Douglas Huthwaite (with Farrow, Bersey, Gain, Vincent & Co.).

**Loughborough**—DRIVER, Peter Anthony (with William H. C. Wayte).

**Luton**—FULLER, Peter Denis (with Keens, Shay, Keens & Co.); WATTS, David James (with Keens, Shay, Keens & Co.).

**Madras**—SAMBIAH, Parvataneni, B.A. (formerly with Brahmayya & Co.); THOMAS, Panampunnayil John, B.A. (formerly with Brahmayya & Co.).

**Maidstone**—WATSON, Albert Edward (with Larking & Larking).

**Manchester**—ANDREWS, Eric Stanley (with Dearden, Gilliat & Co.); BOWKER, Jonathan Porter (with Ashworth, Mosley & Co.); BUTTERWORTH, Clifford (with Nasmith, Coutts & Co.); CHEETHAM, Jack (with Handley, Wilde & Charlton); CURRIE, Gordon William (with Alfred Nixon, Son & Turner); DALE, Norman Brooks (with Whinney, Smith & Whinney); DUNWELL, Alan (with Ellis Green & Co.); FOSTER, James Hubert (with John Nixon & Co.); HAMPSON, George (with Robert Archer & Co.); HINDLEY, Derek Harry (with J. D. Hamer & Co.); LAMB, Thomas (with J. D. Hamer & Co.); LIVESY, Lawrence Arthur (with David Smith, Garnett & Co.); MITCHELL, William John (with Astbury, Mitchson & Miller); O'CONNOR, Gerald Raymond (with Thos. Johnston & Co.); RENSHAW, Charles Stanley (with Alfred Tongue & Co.).

**Middlesbrough**—DAVY, Ronald Audsley (with Peat, Marwick, Mitchell & Co.); GRASS, Derrick George (with William Dent); JONES, Robert Stewart (with C. Percy Barrowcliff & Co.).

**Neath**—JENKINS, William Rhidian (with Jennings & Watkins); POWELL, Haydn Mozart (with Winston Curtis).

**Nelson**—WARD, Clarence (with Proctor & Proctor).

**Newcastle, Staffs.**—ELLIOTT, James Philip (with W. S. Tomlinson).

**Newcastle-upon-Tyne**—HALL, Raymond (with Greaves & Co.); HOLLAND, Francis Edward (with Winter, Robinson & Sisson); HUGHES, John Douglas (with Eyton & Eyton); McNICHOL, George Alexander (with J. W. Armstrong & Sons); ROBSON, Eric (with Laverick, Walton & Co.); STEWART, Roy Irvine (with Winter, Robinson & Sisson); SUTHERLAND, Alan (with Lambert & Bailes).

**Newport, I. of W.**—MILLER, Ronald Albert (with A. E. Hook & Co.).

**Newport, Mon.**—WILLIAMS, John Nigel (with Williams & Wilson).

**Newquay**—HALLS, John Rosevear (with A. J. Gould).

**Nottingham**—BENTLEY, Kenneth William (with Mellors, Basden & Mellors); ROSE, Cyril (with Singleton, Carter & Co.).

**Paignton**—MANLEY, Peter Pearce (with R. W. G. Taper).

**Peterborough**—MACKURDY, Calliss James (with Stephenson, Smart & Co.); MIXES, Kenneth Norman (with Denis Rawlinson & Co.); POOLEY, June Elizabeth (with Swallow, Crick & Co.); ULBRICK, Victor Charles (with Swallow, Crick & Co.).

**Plymouth**—HORE, Edward Augustine (with Whitmarsh, Castleden & Edgcombe); SRONE, John Duncan (with A. J. Northcott, Lyddon & Co.).

**Portsmouth**—CROUCHER, Herbert Arthur George (with Morris, Crocker & Co.); HATTER, Kenneth Cyril (with J. V. Couzens).

**Purley**—TESSIER, Philip Louis Norman (with Tessier Son & Randall).

**Reading**—ARCHER, Albert William (with Fryer, Sutton, Morris & Co.); KIRBY, Henry Thomas (with A. H. Wintle).

**Rochdale**—GLADWELL, Derek Russell (with Walter S. Lewis & Sons).

**Rotherham**—BALL, Edwin Lewis (with Hart, Moss, Copley & Co.).

**St. Anne's-on-Sea**—HORNE, Ralph (with T. B. Rich & Co.).

**Sheffield**—BRADBURY, Dennis Egerton Brayshaw (with Ransom Harrison & Lewis); COATES, Sydney Raymond (with Walter Moore & Co.); RIDAL, Geoffrey (with Walter Bell & Co.).

**Shrewsbury**—ROWE, George Colin (with Harper, Kent & Wheeler).

**Smethwick**—BROWN, William Eric (with Pinner, Ryley & Co.).

**Southampton**—BONELLA, Donald (with G. E. Radford & Co.).

**Southend-on-Sea**—CAMPBELL, Colin (with Rickard & Co.).

**Southport**—ENGLISH, Geoffrey (formerly with H. D. Collins); WARWICK, Reginald Stephen (with Lithgow, Nelson & Co.).

**Stafford**—WILSON, Kenneth Charles (with Dean & Son).

**Stockton-on-Tees**—JACKSON, William Kenneth (with Frank Brown & Walford).

**Stoke-on-Trent**—JACKSON, Douglas Arthur (with A. Wood & Co.); LOWELL, Wesley William (with Bournier Bullock & Co.).

**Sunderland**—CLARKE, Frederick Raymond (with Chas. O. Nicholson & Co.).

**Swansea**—DAVIES, John Graham (with Brinley Bowen, Mills & Co.).

**Torquay**—DORAN, John Norman (with Ware, Ward & Co.).

**Weymouth**—COOKE, Victor Wallis (with Chalmers, Wade & Co.).



Wisbech—TURNER, David William (with Larking, Larking & Whiting).

Wolverhampton—GIBSON, Robert Kenneth (with W. Vincent Vale & Co.); GREEN, Harold Ernest (with H. Davies & Co.); PERRY, Allan Kenneth (with Gwillim & Co.); PRIT, Leslie James (with Pearson, Blower & Co.).

Worcester—SMITH, Peter Jack (with Rabjohns, Leopard & Co.).

York—GEE, Sidney (with D. Hunter).

Ireland—BELL, Robert Leslie, B.COM.SC. (with W. J. Spencer), Portadown; BOYD, Alan Latemar (with Martin Shaw, Leslie & Shaw), Belfast; BREEN, Anthony Michael (with W. A. Deevy & Co., Waterford); BUSTARD, George David (with Muir & Addy), Belfast; CONDON, Michael Patrick (with J. H. Barton & Co.), Dublin; MCCARRY, Gerald Francis (with Pelham Plunkett & Co.), Waterford; MCKINLEY, William (with James Baird & Co.), Coleraine; NEARY, Brenda (with David Carton & Co.), Dublin; NEWELL, Robert (with H. V. Kirk, Palmer & Co.), Belfast; STEWART, Matthew Henry (with James Baird & Co.), Belfast; WALSH, Ronald Gorham (with J. A. Kinnear & Co.), Dublin; YOUNG, Robert (with Oughton, Boyd, McMillan & Co.), Belfast.

## PRELIMINARY EXAMINATION

### Honours Candidate

HUTCHINSON, Alexander, "Hillside," Ballywillan Road, Portrush, N.I.

(First Place Certificate and Prize)

### Candidates Passed

ARMOUR, Arthur Frederick, 79, Herbert Road, Manor Park, London, E.12.  
ARNOTT, Wilfred Leece, 5, Robin Grove, Hamilton Drive East, York.  
ASTON, John Lloyd, 16, Osborne Road, Handsworth, Birmingham, 21.  
BENSON, William, 58, Cliff Road, Fairfield, Buxton.  
BERRY, Derek, 174, Burges Road, East Ham, London, E.6.  
BEWERS, Malcolm Nevey, 48, Green Lane, Acomb, York.  
CALDER, Francis William Robert, 58, Kingston Road, Leicester.  
CHAMPION, John Frederick, 12, Swansea Street, Ashton-on-Ribble, Preston.  
COLLARD, Edward George, 171, Pineapple Road, Kings Heath, Birmingham, 14.  
CROPPER, Frederick James, 130, Phyllis Avenue, New Malden, Surrey.  
DAVEY, John, 37, Holman Hunt House, Field Road, Fulham, London, S.W.6.

DICKSON, Mervyn Charles, 14, Ava Gardens, Ormeau Road, Belfast, N.I.

GEARY, Gerard Francis, Geraldine, Corbally, Limerick, Eire.

GILMORE, Alan Stanley, 10, Ogden Close, Muirhead Avenue, West Derby, Liverpool, 13.

GORMAN, John Michael, 39, Sutton Street, Spring Bank, Hull.

HARRINGTON, Alfred Noel, 45, Durham Road, East Finchley, London, N.2.

HESMONDHALGH, James, "Floraby," Lea Road, Lea, Nr. Preston, Lancs.

JENKINS, David Geoffrey, 49, Delhi Road, Bush Hill Park, Enfield, Middlesex.

JEWELL, John Albert, 22, Kimberley Road, Chingford, London, E.4.

JOHNSON, Philip, 9, Cottage Street, Macclesfield, Cheshire.

KENNEDY, William Hardy, 75, Woodbine Avenue, Wallsend-on-Tyne.

KILLIPS, Harris Caldwell, 4, Haddington Gardens, Belfast, N.I.

LE MAITRE, David Vernon, Maresquet Lodge, Vale, Guernsey, G.I.

MCGREGOR, Robert Ian, 44, Mardyke Avenue, Rainham, Essex.

MCMILLAN, Frederick Ralph, 31, Cardigan Drive, Cliftonville, Belfast, N.I.

MASON, Anthony Thomas, 27, Kent Street, Lower Broughton, Salford, 7, Lancs.

MONDON, Kenneth, 20, Meadow Road, Priory, Dudley, Worcs.

MORRIS, Eric John, 43, Glenfarg Road, Catford, London, S.E.6.

MORTIMER, Ernest Edward, 48, West Road, West Ham, London, E.15.

MYLES, Thomas Caplin, 53, Courtney Street, Manselton, Swansea.

O'HARA, Brian, 28, Nottingham Street, North Strand, Dublin.

PARDOE, Alan Percy, 35, Sherringham Avenue, Tottenham, London, N.17.

RADLEY, George William, 25, Chedworth Road, Knotty Ash, Liverpool, 14.

REES, John Kelvin, 12, Colmore Avenue, Kings Heath, Birmingham, 14.

REEVES, Kenneth Leslie, 49, Kirkdale Road, South Wigston, Leicester.

RICHARDSON, Geoffrey, 218, Endike Lane, Hull.

RICHARDSON, Leslie John, 46, Dawson Road, Bysfleet, Surrey.

RILEY, John Frederick, 58, Beacontree Avenue, Walthamstow, London, E.17.

SHAW, Philip Duncan, Bright House, Linthwaite, Nr. Huddersfield.

SHEPPARD, John Henry, 175, Prince of Wales Lane, Warstock, Birmingham, 14.

SHERATT, Charles John, "Stonefield," Bagnall Road, Milton, Stoke-on-Trent.

SHERWOOD, Robert, 16, Goldsmith Drive, Herringthorpe, Rotherham.

SKELTON, Rex Patrick, 83, Curzon Avenue, Birstall, Leicester.

SMITH, Anthony, 190, Lynfield Drive, Chellow Grange, Bradford.

SMITH, Ivor, 15, Darley Terrace, Overthorpe Road, Thornhill, Dewsbury, Yorks.

SPRATT, Harold Anthony, 40, Surtees Street, Darlington, Co. Durham.

STYLES, Maurice Edward, 3, Filbert Street, Leicester.

THOMPSON, Peter Fawcett, 31, Ashton Grove, Leeds, 8.

TIVEY, Kenneth Sidney, 228, Lea Road, Wolverhampton.

WADDELL, Robert James, 29, Grangeville Gardens, Finaghy, Belfast, N.I.

WALLIS, Donald Edward, 22, Hale End Road, Walthamstow, London, E.17.

WALLS, Terence Edwin Walter, 82, Lechmere Avenue, Woodford Green, Essex.

WARBURTON, Harold, 5, Niagara Street, Heaviley, Stockport, Cheshire.

WHATMAN, Alan Clement, 124, Battle Road, Hollington, St. Leonards-on-Sea, Sussex.

WIGG, Benjamin William, 15, Oban Road, Barking, Essex.

WOODHOUSE, Vincent Spencer, 4, Ford Houses, Buck Lane, Baildon, Nr. Shipley, Yorks.

WOODS, Adrian Stuart L'Estrange, 12, Trees Road, Mount Merrion Park, Blackrock, Co. Dublin.

WOODS, William Maurice, 1, Chesham Drive, Cregagh Road, Belfast, N.I.

## DISTRICT SOCIETIES AND BRANCHES

### IRISH BRANCH

THE FORTY-SIXTH ANNUAL MEETING OF THE Society of Incorporated Accountants in Ireland was held on June 16. The President, Mr. Robert Bell, was in the chair.

In proposing the adoption of the report and accounts, Mr. Bell paid tribute to the memory of Mr. J. Paterson Brodie, Vice-President of the parent Society, and of Mr. Fred Woolley, the immediate past President, who had died during the year. He also referred, with great regret, to the deaths of Mr. J. M. Fitzgerald and Mr. T. M. Robinson, both of Dublin, and of Mr. Fred Allen, of Belfast, one of the small band of pioneers in Ireland.

Mr. Bell mentioned that the examination results, although showing some improvement, were still unsatisfactory. He felt that increased personal attention and tuition from members would be helpful. There was an increasing tendency amongst the younger members of the Society to adopt a commercial career. Whilst this had many advantages from an industrial point of view, it might become a problem in the recruitment of the profession. He thanked his Vice-President, Mr. Mervyn Bell, and the officers and Council of the Irish

Branch and of the Belfast District Society for their assistance during his term of office.

After some discussion the report and accounts were unanimously adopted.

A notice of a motion had been given by Mr. Mervyn Bell for an amendment in the rules to the effect that Fellowship should not be a necessary qualification for membership of the Irish Council. Mr. Mervyn Bell explained that he had in mind the position of industrial accountants, but as he found that industrial accountants were, in approved cases, entitled to Fellowship, he wished to withdraw the motion.

The resolution, however, was proposed by Mr. R. A. Kidney and seconded by Mr. J. C. Story, but after some discussion it was again withdrawn.

The retiring members of the Council and the Hon. Auditor, Mr. R. P. J. Smyth, were unanimously re-elected.

At a subsequent Council meeting the following officers were elected: President, Mr. Mervyn Bell; Vice-President, Mr. W. L. White; Hon. Treasurer, Mr. R. L. Reid; Hon. Secretary, Mr. J. Love, 34, Dame Street, Dublin.

#### REPORT

It is with deep regret that the Council records the deaths of Mr. J. M. Fitzgerald and of Mr. T. H. Robinson, both of Dublin, which took place during the past year.

The Society as a whole has also suffered a severe loss by the recent death of Mr. John Paterson Brodie, the Vice-President of our parent body, and of Mr. Fred. Woolley, J.P., the immediate past President. We recall with pleasure his visits to Dublin and Belfast during his term of office.

The total membership of the Branch is now 266 (an increase of 10), consisting of 69 Fellows and 197 Associates. In addition there are 289 student members, an increase of 11.

The examinations of the Society were held as usual at the Irish centres in Dublin and Belfast in May and October, 1948. The total number of candidates was 112, of whom 40 passed.

The negotiations regarding the publication of Eire Tax Cases still continue, and the matter is now with the Revenue Commissioners for consideration.

A revised scale of fees has recently been recommended to members in practice.

The Council has pleasure in recording the formation of the Waterford and District Incorporated Accountants' Students' Society. The Society has already held several successful meetings and lectures. It has the good wishes of the Irish Council for a very successful future.

In Belfast, the Students' Society has held courses of lectures prior to the examinations and during the winter months. These have been well attended. The Dublin

Students' Society has also had a successful year, a course of Saturday morning lectures having been arranged. The annual dance of the Dublin Students' Society was held in January, and that of the Belfast students in April. An informal dance was also held in conjunction with the Dublin Chartered Accountants' Students' Society.

The annual dinner of the Irish Branch was held on February 5. We were honoured by the presence of the Minister for Industry and Commerce, the Attorney-General, Sir Frederick Alban, C.B.E., J.P. (President of the Society) and Mr. A. A. Garrett, M.B.E., M.A. (Secretary).

The Belfast and District Society held its annual dinner on November 25, and was honoured by the attendance of the Governor of Northern Ireland, the Minister of Finance, Sir Frederick Alban, and Mr. A. A. Garrett.

Some members from Dublin and Belfast were present at the course held at Gonville and Caius College, Cambridge in April, 1949. They enjoyed particularly the opportunities for group discussion.

During 1948 an enjoyable golf outing was held at Greenore, being attended by members from Dublin and Belfast. It is hoped that this will be an annual event.

#### BIRMINGHAM

THE ANNUAL MEETING WAS HELD ON JUNE 17. Mr. W. G. A. Russell, Vice-President, occupied the chair.

The report and accounts were adopted. The retiring members of the Committee were re-elected and Mr. W. A. Mumford was re-elected Hon. Auditor with a vote of thanks for his past services.

The Vice-President reported arrangements for the national conference to be held at Birmingham on September 21, 22 and 23, 1949. He then spoke on the District Society's lecture programme: it was hoped to hold fortnightly meetings during the 1949-50 session, with several lectures at Shrewsbury and Wolverhampton and some held in co-operation with other professional bodies. He welcomed Mr. C. H. Hills, who had been appointed Hon. Treasurer on the resignation of Mr. W. L. Hand after many years in that office.

Votes of thanks were passed to Mr. C. Wheatley for his work as Hon. Secretary, and to Mr. W. G. A. Russell for acting as chairman of the meeting.

#### REPORT

The membership comprises 439 members and 389 students.

A number of works have been added to the library and copies of the catalogue are available.

Members seeking advice on difficult points of practice are reminded of the mutual assistance facilities available.

A golf match with the Inspectors of Taxes was played in September, 1948.

The annual dinner was attended by Sir Frederick Alban, President of the parent Society, and Mr. A. A. Garrett, Secretary. A few students are still serving in H.M. Forces.

Twenty-three students passed the Final examination, including two who attained Honours. Mr. R. Crumpton was awarded the First Certificate of Merit and prize in October, 1948. Ten passed the Intermediate.

Twenty-three lectures were held during the year. They have not been attended as well as was expected. Students in particular are reminded of the advantages gained by regular attendance.

#### LEICESTER

THE ANNUAL GENERAL MEETING WAS HELD on July 1. The report and accounts were adopted.

Mr. Mark J. Rees, A.S.A.A., was elected to the Committee. The retiring members and the Honorary Auditor (Mr. F. W. Doleman, F.S.A.A.), were re-elected.

#### REPORT

Six meetings were held in Leicester, jointly with the Leicester Society of Chartered Accountants, and five at Northampton in collaboration with the Northampton Society of Chartered Accountants. All were well supported.

Mr. S. H. Wood, C.B., M.C., principal Assistant Secretary to the Ministry of Education, lectured in September, 1948, on "The Recruitment to Industry and the Professions, as affected by the New Education Acts." The Lord Mayor presided at the meeting and representatives from other professional bodies and industries in Leicester, together with headmasters of schools, were present.

A small sub-committee met representatives of the Leicester Law Society and the Leicester Society of Chartered Accountants in connection with the proposed removal of the Official Receiver's office from Leicester to Nottingham. Strong representations were made to the Board of Trade and the change has been held over for a short time.

Another joint meeting was held between representatives of our Society and of the Leicester Law Society on the question of company work. A memorandum was circulated.

The Students' Section has proved very successful with Mr. J. G. Hurst as Secretary. Visits to local works offices were arranged. A cricket team completed a full programme. Seven lectures were arranged at Leicester in collaboration with the students of the Leicester Chartered Accountants' Society.

The present membership is 182 members and 177 students.



The Committee congratulate the students who were successful in the examinations in 1948. Fourteen passed the Final and nine the Intermediate—one with Honours. An examination centre at Birmingham has now been opened.

Students or members who desire employment should communicate with the Hon. Secretary who receives, regularly, notifications of vacancies and appointments available to members of the profession.

Considerable progress is being made by the Research Sub-Committee in their work on shoe costings and periodical statements. Mr. Sirkin is the chairman, and Mr. H. Rivington is the representative on the London Research Committee. The Taxation Sub-Committee has met under the chairmanship of Mr. Tustain. A number of recommendations have been made to the London Committee during the year and considered by them. The Committee appreciate the work and time given by the members of these active sub-committees. New members will be welcomed. A further sub-committee which has been formed in the Northampton area with Mr. H. Murray-Lepper as Secretary is doing very useful work both on research and on taxation.

Mr. Haines has been appointed as the local Benevolent Fund Secretary to act in conjunction with the London office.

#### MANCHESTER

THE ANNUAL MEETING WAS HELD ON JUNE 17.

The President, Mr. C. Yates Lloyd, asked for further support for the District Society's activities. He hoped that practising members would encourage students to take advantage of the universities scheme. The report and accounts were approved.

The retiring members of the Committee were re-elected, and Mr. Arnold Halstead, Bury, was elected to fill a vacancy.

Mr. T. M. Robson, student, was re-elected an Honorary Auditor. Mr. Sydney Woods, A.S.A.A., was appointed an Honorary Auditor in place of Mr. A. Halstead, elected to the Committee.

A vote of thanks was accorded to the President, officers and Committee for their work during the past year.

Mr. Henry Smith spoke on matters which were receiving the attention of the Council.

At a subsequent Committee meeting, Mr. C. Yates Lloyd was unanimously re-elected President, and Mr. G. W. Street Vice-President.

#### REPORT

The annual dinner was well supported by members, and there were a large number of distinguished guests.

Seven lectures were given during the session.

The membership comprises: practising members, 212; non-practising, 304; students, 436.

The resignation from the Committee of Mr. J. N. Struthers was accepted with regret. Mr. Struthers also resigned the office of Hon. Librarian, which the Committee are pleased to record has been taken over by Mr. Henry Smith. Additions to the library are made continually, and the Hon. Librarian welcomes inquiries.

Members and students have obtained appointments through the register maintained by the Hon. Secretary.

A very successful residential week-end course for students was held at Hulme Hall, Manchester.

Special lectures for students were held during the winter session.

Twenty-two students passed the Final and fourteen the Intermediate examination.

The President, Mr. C. Yates Lloyd, acts as Hon. Secretary to the local Joint Committee on the universities scheme. Mr. J. D. Hamer attended a conference on the scheme at Oxford.

A students' residential course will be held from September 16 to 19, 1949.

The annual dinner has been arranged for October 28, 1949.

#### NEWCASTLE-UPON-TYNE

MR. H. S. PARKIN, SUNDERLAND, WAS installed as President at the fifty-second annual meeting, held at Newcastle on June 1.

The retiring members of the Committee were re-elected, and Mr. H. Armstrong, Mr. T. D. R. Bensted and Mr. F. G. Hill were elected to fill vacancies. The annual report was approved.

At a Committee meeting, the following officers were elected: President, Mr. H. S. Parkin; Vice-Presidents, Mr. T. Jewitt and Mr. J. E. Spoor; Hon. Secretary, Mr. J. E. Spoor.

#### REPORT

The membership of the Society at March 31, 1949, was: Fellows and Associates 210, and 412 students, a total of 622.

Lectures were held, as usual, at Newcastle and Middlesbrough, and one lecture was arranged at West Hartlepool. The lectures were well attended, especially those on standard costing, illustrated by slides, and on mechanised accounts, illustrated by a film.

At the dinner on November 19, 1948, we had the honour of entertaining the Home Secretary (the Rt. Hon. James Chuter Ede, M.P.), the Rt. Hon. Lord Beveridge, K.C.B., the President of the Society of Incorporated Accountants, the Deputy Lord Mayor and the Sheriff of Newcastle-upon-Tyne, Colonel E. G. Angus, C.B.E., T.D.,

D.L., and the representatives of many professional and industrial organisations.

A students' residential course was arranged at University College, Durham, from March 25 to 28, 1949. The course was enthusiastically supported. The unanimous opinion of the students was that this type of course should become an annual event. The Committee thank the Master of University College for his kindness in allowing the Society to hold the course in the College, the Chaplain for arranging the services, and the staff for its efficiency and ready co-operation.

Congratulations are extended to the students who were successful in the Society's examinations. Fourteen passed the Final and nine the Intermediate.

The Committee have continued to be represented on the Accountancy Advisory Committee at King's College, Newcastle-upon-Tyne, and welcome the appointment of the first full-time Lecturer in Accountancy.

The following members of the Committee retire this year but are eligible for re-election: Messrs. F. Wilcock, J. W. Baines, P. Lazzari, N. Postle, J. E. Wanless and A. R. Yeeles. There are three vacancies.

#### NORTH LANCASHIRE

THE ANNUAL MEETING WAS HELD ON JUNE 22.

The report and accounts were adopted.

The officers and members of the Committee were re-elected, except Mr. S. G. Deavin, who had taken an appointment in another area and did not seek re-election to the Committee. Mr. E. Oxley was elected to fill the vacancy.

#### REPORT

The membership includes 36 Fellows, 102 Associates and 118 students, a total of 256.

The Committee were glad to meet Mr. I. A. F. Craig, O.B.E., B.A., Deputy Secretary of the parent Society, on his first visit to North Lancashire.

Six lectures were arranged by the Committee during the year.

The immediate past President of the District Society (Mr. Walter H. Marsden, F.S.A.A.) lectured on September 29, 1948, on his recent visit to Australia and New Zealand. Invitations were extended to members of other professional bodies in Preston.

Invitations were again received to lectures arranged by the Preston Chartered Accountant Students' Society, the Fylde Branch of the Institute of Municipal Treasurers and Accountants, the North Lancashire Branch of the Chartered Institute of Secretaries and the Mid-Lancashire Centre of the Institute of Bankers. These reciprocal arrangements are both pleasant

and desirable in assisting co-operation and good fellowship between members of the various bodies.

Members of law societies within the area of the District Society were invited to attend Mr. J. A. Jackson's lecture on Death Duties.

The Committee was gratified to receive from the Manchester District Society an invitation to join in a residential course at Hulme Hall, Manchester, in September, 1948. Twenty-two North Lancashire students attended this course.

The District Society is represented on the Preston and District Chamber of Commerce by Mr. John Wareing, and on the Blackburn Chamber of Commerce by Mr. Walter H. Marsden.

Congratulations are extended to the candidates who were successful at the parent Society's examinations. Four passed the Final and five the Intermediate.

The Committee is pleased to note the formation of the North Lancashire Branch of the Manchester Society of Chartered Accountants, which covers approximately the same area as this District Society. Good wishes for its future have been expressed.

The Committee wishes that greater advantage were taken of the lectures. Every endeavour is made to arrange lectures on topical subjects and on subjects which make a particular appeal to students. With the restoration of better travel facilities, lectures next session will be timed for 7.30 p.m., which may help to overcome some difficulties. If members desire a lecture on a particular subject, they are invited to send a request to the Hon. Secretary.

#### NORTH STAFFORDSHIRE

THE ANNUAL MEETING WAS HELD AT THE Town Hall, Hanley, on June 23. Mr. E. Downward, F.S.A.A., Vice-President, occupied the chair in the absence of Mr. Andrew Brodie, F.S.A.A., President.

The following officers were elected: President, Mr. Andrew Brodie; Immediate past President, Mr. W. C. Coxon; Vice-Presidents, Mr. E. Downward and Mr. R. M. Chapman; Hon. Treasurer, Mr. A. Dickson; Hon. Secretary, Mr. R. A. Hamilton; Hon. Auditor, Mr. F. E. Cheetham; Committee, Mr. L. G. Fetzner, Mr. W. A. Follows, Mr. K. E. Goodwin, Mr. L. Goodwin, Mr. T. W. Porter, Mr. F. S. Ralphs, Mr. E. S. Stoddard, Mr. A. P. Walker, Mr. C. A. Tavernor.

#### REPORT

The membership of the District Society at March 31, 1949, was 17 Fellows, 64 Associates and 78 students—total 159.

Seven lectures were given during the year. On January 7, the Secretary of the Society, Mr. A. A. Garrett, was entertained

at an informal dinner in the Grand Hotel, Hanley, and gave a talk on his experiences in the United States and Canada. Invitations to other professional bodies were extended and our members and students received invitations from professional bodies in the district.

At the annual dinner on April 23, 1948, the principal speakers were Lord Inman and Sir Frederick Alban, C.B.E., J.P., F.S.A.A.

Mr. A. Wood has resigned from the Committee.

The Committee note with very real regret the loss the Society sustained in the death, last November, of Mr. John Paterson Brodie.

#### YORKSHIRE

THE FIFTY-FIFTH ANNUAL MEETING WAS HELD in the new offices of the Society at 2, Basinghall Square, Lower Basinghall Street, Leeds, on June 29.

The President, Mr. Robert E. Starkie, F.S.A.A., presided. The annual report and financial statement was approved. Mr. N. Kaye was re-elected Hon. Auditor.

The Chairman reviewed the activities of the past year, and the difficulties the Sub-Committee had encountered in obtaining suitable office and library accommodation.

The question of organising a separate students' section was discussed. A special meeting was to be called later to decide this matter, and to consider students' representation on the Committee of the District Society.

It was decided to go fully into the matter of arranging visits to works, functions and social gatherings.

The meeting closed with a vote of thanks to the Chairman for a successful year's activities and for his interest in the Society's progress during difficult post-war conditions.

#### REPORT

The membership comprises: Fellows, 59; Associates, 276; Student members, 395; total 730.

The Committee regrets the loss by death of Mr. W. R. Bell, Mr. J. Cowburn and Mr. T. Revell.

The Committee congratulates the successful students at the 1948 examinations. Fifteen passed the Final and fourteen the Intermediate.

Seven meetings for senior and student members were held during the year, including one arranged by the Chartered Institute of Secretaries.

For students preparing for the examinations Saturday morning classes were arranged, and these were well attended.

A party of twenty students visited the offices of J. Terry & Sons, Ltd., York, to see a demonstration of mechanical accounting methods, by kind invitation of the

directors. Thanks are given to Mr. E. R. Dodd, director and accountant, and to Mr. Stuart, the company's secretary, who conducted the party.

The official dinner was held on November 26, 1948. A dinner dance was held on January 28, 1949.

The Sub-Committee appointed have been successful in obtaining accommodation in a central position on the ground and first floor in a block of offices at 2, Basinghall Square, Lower Basinghall Street, Leeds, 1.

#### PERSONAL NOTES

Sir Frederick Alban, C.B.E., J.P., F.S.A.A., immediate Past President of the Society of Incorporated Accountants, is one of the three members of the Gas Arbitration Tribunal appointed by the Lord Chancellor under Section 63 of the Gas Act, 1948.

Mr. G. Moat, A.S.A.A., received the honour of O.B.E. in the recent Birthday Honours list.

Messrs. Wells, Richardson & Co., Incorporated Accountants, Sheffield, announce that Mr. C. H. Wells, F.S.A.A., has retired from practice. Mr. J. W. Richardson, F.S.A.A., and Mr. C. H. Kershaw, A.S.A.A., are continuing the practice under the same firm name.

Messrs. Walpole, Harding & Vidgeon, Incorporated Accountants, Brighton, Worthing and London, have taken into partnership Mr. Henry R. Elliott, F.S.A.A., A.C.A., whose practice at Worthing has been absorbed. The new firm name is Walpole, Harding, Vidgeon & Elliott, Incorporated Accountants.

Mr. Fred Hargreaves, Incorporated Accountant, Manchester, has retired. The practice hitherto carried on by him under the firm name of Fred Hargreaves & Co. has been taken over by his managing clerks, Mr. T. M. Robson, A.A.C.G.A., and Mr. E. F. Thornley, A.A.C.G.A., who have been members of his staff for twenty-eight years. They will practise under the style of Fred Hargreaves & Co., Certified Accountants.

Mr. R. M. Brodie, F.S.A.A., has admitted to partnership Mr. J. W. Gibson, A.S.A.A. The practice is being carried on under the style of Brodie, Gibson & Co., Incorporated Accountants, at 17, Wright Street, Hull, and 38, Roundhay Road, Bridlington.

#### REMOVAL

Messrs. Shears & Gilbey have removed their offices to 92, Gloucester Place, London, W.1.



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